THE

BI-METALLIC QUESTION.

BY

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PREFACE.

The following collection of pamphlets, letters and addresses, on the "Silver Question," as it is generally styled, are here re-issued in one volume, for easy reference.

They cover a period of ten years, and have in consequence a certain lack of consecutiveness, for which the indulgence of the reader is sought.

They also deal with various aspects of the question, according as one or other happened to be uppermost at the time; and if there be apparent discrepancies in the figures quoted, let it be remembered that considerable changes took place in the production of Gold and Silver during that period, and the statements made only claim to be accurate at the date they were first published.

The whole question of the relations of the precious metals, and their bearing upon general prices, is one of the most complex in Political Economy, and can only be popularised by presenting it from various points of view, and with a variety of argument and illustration.

This is my apology for reprinting so many papers which travel over the same ground, oftentimes, it may be said, with tedious iteration. The public to which a writer on this subject can now appeal is much enlarged, compared with ten years ago, and the author of these papers can count now upon a measure of assent which seemed hardly probable when he first addressed the public on this Question.

SAMUEL SMITH.

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BI-METALLIC MONEY.

Among the various questions which appertain to the province of International Law, none appear to me of greater importance than those relating to Money. The intercourse of nations depends as much upon sound monetary laws as upon anything else within the domain of legislation. If uniform standards of weight and measure are to be aimed at, much more are uniform standards of value. If common principles of commercial law are to be sought after, much more should a common agreement in reference to the medium of exchange, whereby all operations of trade are carried on, and by which all international balances have to be settled.

Monetary questions have hitherto been shirked, in consequence of their supposed complexity. The science of Money is the least known of all the branches of Political Economy, and so many crude theories have been propounded with regard to the currency, that practical men for the most part shun the question; yet, I make bold to say, that the subject now brought before this Conference is second in practical importance

to none. Neither is it to be confounded for a moment with those crude theories to which I have referred.

The principle of bi-metallism has now been accepted by a large number of the most acute intellects. It is rapidly making converts in all parts of Europe and America, and the time seems to be not far distant when everywhere, out of England, it will command the assent of the best monetary authorities. It is surely, then, desirable that strong efforts should be made to enlighten the British public on the merits of this question, so that the ultimate decision, when it is taken, may be with full knowledge of all the facts of the case.

The proposition which we venture to recommend is briefly this. "It is highly desirable that both Gold and Silver should be used by the world at large as full valued money, and that, to accomplish this end, an international agreement should be made to coin, without restriction, both metals alike, and use them as full legal tender at a fixed ratio to each other."

It is not easy to keep this question free from a crowd of irrelevant details, with which it is encumbered in public discussion; nor is it easy to know how far one should recapitulate facts well known to all who have studied the question.

Perhaps I shall best serve the purpose I have in view by referring as briefly as possible to the existing state of monetary law throughout the world, with a glance at its past history, and thus prepare the way for the consideration of its future prospects.

Gold and Silver from the earliest times have con-

stituted the money of the world—at least in all countries removed by one degree from primitive barbarism. Their natural qualities eminently fit them for that purpose—their rarity, their comparative steadiness of value, their divisibility, their extraordinary durability—in short they have all the chemical, as well as monetary, qualities that fit them for this use, and are as obviously the gift of Providence to serve the purpose of money, as coal is to serve for fuel, or iron for human handicrafts. The universal instinct of man has grasped the use of the precious metals from the earliest ages, and no substitutes have ever been found which are in the least degree likely to supersede them.

Up to the present century Silver was the leading metal, and discharged the principal monetary functions over most of the world; the value of the aggregate of Silver much exceeded that of the aggregate of Gold; in many countries it was the sole standard of value, while in few was Gold the sole standard. Monetary science was very little understood even in the last century, but as commercial intercourse grew, the need of scientific arrangements was increasingly felt, and attempts were made to adjust the relative values of the metals, and to lay down sound principles of coinage.

In the earlier periods of the world the coin was so frequently debased by unprincipled governments, and the intercourse of nations was so small, that there is little to be learned from studying their currency laws, and the starting point for our enquiry may fittingly be taken at the time when Sir Isaac Newton, as Master of the Mint,

in 1717, presented a report on the relative value of the metals, and recommended a bi-metallic system, based upon a ratio of 15·21 of Silver to 1 of Gold, and that became theoretically the law of England during most of last century; but as the Silver coinage was very much clipt and worn, Gold was preferred as the medium of exchange, though it remained open to any one, by coining Silver of full weight at the Mint, to discharge his debts in that metal at the ratio fixed in the beginning of the century.

Throughout the rest of Europe Silver remained the chief medium of exchange, and the ratio between the metals was remarkably steady, during last century, at about 15 of Silver to 1 of Gold.

About the beginning of this century scientific reasoning was for the first time applied in good earnest to monetary questions. France, which has always been distinguished for clear thinking and luminous exposition in matters of finance, decided, in 1803, after careful examination, in favour of using both Gold and Silver as full legal tender at the ratio of 15½ to 1, and allowed either metal to be coined without restriction at her Mint. England, on the other hand, at the conclusion of her great war, during which she had suspended specie payments, decided in 1816 upon resuming in Gold alone, only using Silver as a token or inferior currency, not to be legal tender beyond 40s. Had she been happy enough to have adopted the wise system of France, we should not this day have been investigating the causes of the divorce that has taken place between the metals, and trying to apply a remedy.

In 1821 the English law came into effect, and Great Britain since then has been a Gold mono-metallic country. But France persevered in her bi-metallism, and it answered so well, and her whole financial system was so solid and trustworthy, that a group of States joined her in 1865, called the Latin Union, and French ideas largely spread over Europe. The other great powers, though mainly Silver using countries, practically adopted the French ratio whenever they made use of Gold. The United States was also, in theory, bi-metallic all this century, until it resumed specie payments a year or two ago; its ratio, however, was unwisely fixed at 16 of Silver to 1 of Gold, and the necessary consequence was that Silver left America, where it was undervalued, and went to France, where it was more highly valued. India, on the other hand, which had within this century gradually come under British rule, was constituted by us a country of Silver money, and Gold coins, which used to circulate freely under the native princes, were virtually demonetized.

Now the great fact to which I wish to call your attention is this. The French ratio of 15½ to 1 was sufficient of itself to give practical fixity to the relative value of the metals for about three quarters of a century, that is to say, till France and the Latin Union restricted the coinage of Silver, 1873-4, under dread of the demonetized metal of Germany.

The exhaustive discussions that have taken place on this question have convinced me that all the attempts of

our opponents to prove that this fixity of relative value was caused by the respective yield of the metals from the mines, or by demand for commercial purposes (that is to say by the ordinary action of supply and demand), are utter failures, and do not touch the fringe of the subject. They remind one of nothing so much as the hopeless attempts of the ancient astronomers to explain the movements of the heavenly bodies, on the theory that the Earth was the centre of the Universe.

When English commercial minds for the first time approach the consideration of this subject, they are sure to split upon the rock of what I may call Free Trade ideas—that is to say, they import the language of the market into a region where it is meaningless, and get hopelessly adrift upon false analogies. It is like a naturalist, who only understands the laws of living organisms, attempting by means of them to unravel the science of chemistry; or the chemist, who only understands dead matter, attempting to explain the phenomena of life. Monetary science has laws of its own, quite distinct from those which apply to the common operations of trade, and they must be mastered in some degree before any intelligent discussion can take place.

Now anyone who carefully examines the respective production of Gold and Silver during this century, and the great changes that have at various times occurred in the cost of producing one metal as compared with the other, will perceive that this wonderful fixity of relative value must have arisen from some all powerful cause quite apart from what is vulgarly called "supply and demand;"

he will see that the ratio of $15\frac{1}{2}$ to 1 existed during a long period, when Silver was annually produced to three or four times the value of Gold, and during another long period when Gold was annually produced to three or four times the value of Silver. It was equally unaffected by the great increase in the cost of producing Silver during the Civil Wars in South America, which closed the richest Silver mines, and the extraordinary decrease in the cost of producing Gold, when the rich mines of Australia and California were first discovered. It was equally unaffected by the entire cessation of the great Eastern demand for Silver, which happened once or twice in the earlier part of the century, or by the extraordinary demand which set in during the time of the Cotton Famine. Neither was it affected by the vast displacements of specie that occurred in many countries—such as the United States of America, Italy, Austria, &c. caused by war, or national bankruptcy, when inconvertible paper expelled metallic money. It may be asserted, in brief, that every possible convulsion occurred in the monetary world during the first three quarters of this century, and yet the tie between Gold and Silver was not broken. So long as the French Mint was open to coin either of them to an unlimited extent, and as full legal tender, it mattered not whether the yield of Gold was two millions a year or thirty millions; whether that of Silver was six or sixteen millions; whether the miners in Australia were extracting Gold at a cost of £1 per ounce, or in Nevada were producing Silver at 1s 6d per ounce; the relation between the metals was practically fixed and stable at $15\frac{1}{2}$ to 1, with small variations in the

London market very rarely exceeding $15\frac{3}{4}$ to 1 on one side, or $15\frac{1}{4}$ to 1 on the other, and these small oscillations were traceable to causes that can easily be explained.

Now those who ignore the equilibrating effect of the French ratio ought to be able to explain why, when Silver was produced three times as plentifully as Gold, it did not fall heavily in relative value; why, when Gold was produced three times as plentifully as Silver, it did not fall correspondingly; why, when a prodigious demand existed for Silver for the East, it did not sensibly raise the value of that metal; why, when that demand was extinct, it did not fall in value, and so forth—if those theories which attribute all fluctuations in value to pure commercial laws, such as those which regulate the value of cotton and calico, be true, we should then see forty ounces of Silver at one time exchanging for one ounce of Gold, and four of Silver for one of Gold at another time; the two metals would have varied far more than copper and tin, or lead and iron, for the fluctuations in their relative yield have been unexampled.

Our opponents, however, will reply, that another natural law interposes to prevent these excessive fluctuations of value, and that is their extraordinary durability. Most of the Silver and Gold produced since the time of Abraham must be in existence somewhere; consequently any great fluctuations in annual yield affect but little the value of this great mass. I readily grant this is true, but it does not invalidate the argument I have already deduced, it only modifies it. Even the whole stock of each metal

has undergone great changes during this century. Speaking roughly, the quantity of Silver money in the world in 1848 was estimated at 600 millions sterling, against 400 millions of Gold, while in 1870 the proportion had altered to 650 millions of Silver against 750 millions of Gold, that is, the one metal had increased nearly 90 per cent in quantity against 10 per cent in the other. These changes were the result of the discoveries of the Californian and Australian mines, which were most fertile from 1850 to 1870, when Silver was sparingly produced, yet the relative value of the metals remained practically unchanged. The simple explanation is that the bi-metallic system of France and the Latin Union enabled the greater part of the Gold to be coined, and if need be exchanged for Silver at the old ratio, so that sellers of Gold who wished to buy Silver would not, anywhere in the world, give one ounce of Gold for 13 or 14 of Silver, when by sending it to France they could get 15½.

It may be safely predicted, that, had France and the Latin Union refused to coin Gold after 1850, as they refused to coin Silver after 1872, we should have seen the same phenomenon on a greater scale than we have witnessed of late years—only Gold would have been the depreciated metal and Silver the enhanced one, and we should have been listening to the same arguments we are familiar with now, viz. that Gold was falling in obedience to great natural laws, and that Silver was rising; that it was vain to complain of those laws which were inexorable, and that no human legislation could withstand them. Our economists would have pointed to the mines of

Australia and California, and said, "Who can resist this torrent of thirty millions a year of Gold; is it likely that Silver, which only gives eight millions a year, will remain at the same ratio to Gold as in the old times when the yield of the two metals was nearly the same—Silver must inevitably rise and Gold fall—all our text books of political economy say so, all our authorities prove this to demonstration!" But it so happens, unfortunately for our opponents, that none of these events happened. France had the courage to stick to her system, the large addition of Gold took place, and was diffused gradually through the world without breaking the tie that bound it to Silver; the Gold using countries and the Silver using countries found no inconvenience arising from a change in the relative value of the metals; debts that had been contracted in Silver countries, payable to Gold countries, were defrayed at practically the same rate of exchange they were contracted at—there was no dislocation of commerce, such as has occurred of late years; no fraud on creditors by paying what was practically 16s in the pound on the one side, or it may be obtaining 24s in the pound on the other. This fixity in value was an inconceivable gain to the commerce of the world, because it enabled the countries that had spare capital to lend it to those that had not, without the fear of a partial repudiation of debts from a change in the standard of value. But for this fixity the Indian railway system could hardly have been made, nor a vast number of reproductive works carried out in Europe and America—the beneficial flow of capital from countries having a Gold currency, to countries

having a Silver currency, went on undisturbed from 1850 to 1870, as it did from 1800 to 1850. Capitalists in this country never inquired why this fixity of value existed—it had been substantially so for nearly two centuries, and it was supposed to be an ordinance of nature; no one in those days understood that it was the result of the French bi-metallic system. As I have observed elsewhere, we were like a man who never had suffered from dyspepsia, and hardly knew he had a stomach, and who first acquired a knowledge of that organ from a severe fit of indigestion. The British public took for granted that Gold and Silver must somehow be worth intrinsically as 1 to 15½, in other words that Silver naturally fetched about 5s an ounce, and it is only the experience of the last few years that has disabused them of this notion.

We have now reached the point at which we may formulate the following conclusions.

In spite of enormous changes in the relative production of the precious metals, and in the commercial demand for them, France succeeded, by her bi-metallic system, in preserving a practical equilibrium between them for seventy years; and, to a less extent, the same result was reached during the previous century by more imperfect machinery. And further, the painful dislocation which has taken place in the last few years is in no sense the result of ordinary commercial laws, but purely caused by changes in monetary legislation, and more especially by the closing of the mints of France and the Latin Union to the free coinage of Silver since 1872.

We go so far as to assert that had the bi-metallic countries of Europe ventured to face the consequences of German demonetization, the thirty or forty millions of Silver thus thrown on the market would have disappeared as easily as the five hundred, or six hundred, millions of Gold produced between 1850 and 1870. It was not merely the fear of German Silver that caused the change of policy by France, there was political rivalry as well, and there was the antecedent diffusion of Gold mono-metallic doctrine by Chevalier and his followers, both in France and Germany, urged on by a school of doctrinaires in this country, who imagined that it would be for the good of the world to have a single Gold standard universally adopted. No one had the foresight to perceive the evil that would follow from attempting to expel one of the two factors of which money was composed—the scientific theorists were all on the side of Gold, and there was a widely diffused opinion on the Continent that the prosperity of England was, in some way, due to her single Gold standard. Nations like individuals follow leaders, and as England, the chief commercial country, had given a factitious honour to Gold, her neighbours and rivals only waited for a chance to imitate her. The French indemnity gave Germany that chance, and, had the war gone the other way, France would most likely have done what Germany did; but, as that was impossible, the next best thing was to thwart Germany by refusing to coin her Silver, and so compelling her to sell at a heavy loss. There is no doubt that nations can, to a wonderful extent, injure each other

by bad monetary laws, and as the whole world is smarting under the effect of this at present, and is at last awake to the evils of divorcing Gold from Silver, the time seems opportune to attempt an alliance between the metals on a broader and sounder basis than has ever existed before.

Now the scheme which we advocate is this—that the leading Monetary Powers, which are four, viz. the British Empire (including India and the Colonies), France, the United States, and Germany, should come to an agreement to coin both Gold and Silver, without restriction, at a fixed ratio, and make them severally, or jointly, full legal tender for all debts. These four Powers comprise all the important specie paying countries in the world; they probably hold among them three-fourths of all the Gold and Silver in the world, and they own all the principal mines. It can be shown by a mathematical demonstration that the ratio adopted by them must rule everywhere else throughout the world. It is a perfect delusion to suppose that either metal could be cheap or dear under such an arrangement, and that the undervalued metal would leave this monetary union of Powers, and seek some undiscovered region where it was more highly prized.

The rest of the world is nearly all composed of poor countries, that are debtors to the rich ones which form our suggested union. They have no power of taking specie to any extent, and the little they require can be easily furnished from the annual produce of the mines. Probably China is the only country outside this union that absorbs

any quantity of specie, and she takes Silver perhaps to the extent of one-third, or one-fourth, the annual produce of the mines. India, which is the largest absorbent of Silver, would, under our proposed arrangement, take either metal, according to the taste of the people, and according to the convenience of merchants.

The exchange between London and Calcutta would, under this system, be as steady as the exchange between London and Melbourne is now, and those harassing fluctuations would be put an end to. The world would then have, virtually, identical money, and capital could flow from the bi-metallic countries to the poorer Silver using countries without fear of virtual repudiation at some future date. Banks and merchants could give credits and push commerce with safety, knowing that the money in which they would be repaid had a fixed relationship to what they used at home. Those slight oscillations in the value of Silver measured by Gold, which existed till 1872, could not exist then, for they were rendered possible only by the limited area of French bi-metallism, and the excessive strain to which it was subjected by the mono-metallic countries round about, and chiefly by England, which at one time needed vast amounts of Silver to send to the East, at other times needed no Silver, but took large amounts of Gold. Very much is made by our opponents of the fact that French bi-metallism did not produce absolute fixity of ratio between the metals in the London market, and that slight premiums had sometimes to be paid on Silver. These trifling variations, it may be observed, were spread slowly over

many years, and resulted from France standing nearly alone; but now we often see as violent changes in a week as then happened in a year, and probably the fluctuations in each one year since 1872 have been nearly as numerous and as great as in the whole seventy years preceding, and, if we mistake not, will continue on the same scale in the future till some plan akin to ours is adopted.

The chief objections urged to our scheme are threefold:—

1. That Silver is not so suitable as Gold for the commerce of rich nations.
2. That future discoveries may be made of either Gold or Silver mines so rich as to upset the ratio agreed upon.
3. That we are debasing the currency.

As to the first objection we would reply that it would be perfectly valid if payments could only be made in solid metal; if wagon loads of Silver had to be carried about no doubt the inconvenience would be excessive, and this difficulty would have prevented any scientific scheme of bi-metallism being adopted in the rude ages before banking facilities were known, but in all civilised countries now the transfer of coin has almost ceased for large payments, and the London Clearing House, which settles over 100 millions sterling weekly, with a mere handful of coin, is a sample more or less of the business of all civilised countries. Metallic money is in fact only wanted as a reserve in the coffers of banks to

secure the convertible paper issued on the strength of it, and the only effect of our scheme, so far as England is concerned, would be that the Bank of England would hold Silver, as well as Gold, and issue notes thereon; the pound sterling would in future represent a fixed weight of either Gold or Silver instead of a fixed weight of Gold alone; it would resemble the franc in France, which represents a certain weight of Gold, or 15½ times its weight of Silver. It could easily be provided that tenders of Silver, as between man and man, should be limited to small sums, and indeed it might be desirable to apply the same limitation to Gold, for tenders of 1000 or 2000 sovereigns are by no means convenient payments to the receiver. The Bank of England, or the other issuing banks, should, however, be bound to pay all their notes in specie when required, and the specie might either be alternative Gold or Silver, as is the case with the Bank of France at present, or a joint tender of both metals.

These questions are merely matters of detail which monetary experts can settle, and only require to be glanced at in a brief paper like this.

The second objection is—that future discoveries may be made of either Gold or Silver mines so rich as to upset any ratio of value that may be agreed upon.

We reply, that there is no likelihood of any discoveries being made more rich than those of Australia and California, which suddenly increased the annual yield of Gold four or fivefold, and yet did not disturb the ratio fixed by the French bi-metallic system. This present century has witnessed the widest divergences in the yield

of the metals probably known in the history of the world. According to Ernest Seyd, the most careful statist in this country, the weight of either metal annually produced was 50 of Silver to 1 of Gold at the beginning of this century; while in 1850 to 1860 it was $4\frac{1}{3}$ of Silver to 1 of Gold—yet the ratio of $15\frac{1}{2}$ to 1 held good during both of these periods. We have no expectation that the system will be exposed to a greater strain in the future—it is very unlikely it will be exposed to an equal strain. Providence seems to have so ordered it that discoveries of Gold and Silver are made alternately, so that the metals are complementary, and make between them a more stable medium than either of them separately. If Silver were universally demonetized, Gold would fluctuate far more in buying power than the two metals would do jointly; indeed, if one metal alone were to be selected, Silver would be the more suitable, as its average annual yield has varied much less than that of Gold in past ages. We think it better, however, to follow the indications traced out by nature, and accept both metals, as mankind have always done since the world began, with that universal instinct which is usually the surest and safest basis for scientific theorising.

We believe that the difficulty which men feel about fixing a ratio between the metals arises mainly from not perceiving that monetary law is a necessary factor in determining the value of either metal. Gold and Silver derive their value, mainly, from their use as money; probably five-sixths of the annual produce of the mines are employed for that purpose, and they cannot be

used for money where legislation forbids it. If all the world passed such laws as England and Germany have done, Silver would be almost valueless. At least five hundred millions sterling of that metal, now circulating as full legal tender, would be expelled, and, as not a hundredth part of it would be wanted for plate or ornaments, it would have to be degraded to some mechanical use, where it would compete with iron and steel, and be sold by the ton instead of the ounce. The same would happen in a less degree to Gold; we say in a less degree because the quantity being small and the metal having great natural beauty, it would be capable of being used in the arts, though at a much lower value than it now holds. It is safe, however, to predict that the universal demonetization of Gold would lower its value by one half, more probably by three quarters, reducing it to one quarter of what it is worth now. These of course are only theories, but are fitted to bring out clearly the essential part that human law plays in respect to the value of the metals, whereas all other commodities derive their value from a natural demand apart from law. Money may be said to be, in a certain sense, the creation of law, though it is equally true that all wise laws will conform to the outlines traced by nature, and avoid as far as possible the appearance of mere caprice. Hence, though we believe it is possible for the leading monetary Powers to adopt almost any ratio they like, and make it the law of the world, yet it is manifestly wiser to be governed by the history of the past, and no ratio can be adopted that seems more just to all interests than the French

It comes very close to what has been the ratio for two centuries, and international trade is almost the creation of the last two centuries, and nearly all the national debts, now estimated at 4000 millions sterling, have been contracted during that period, some of them being in countries having Silver for their money, some in countries having Gold. Much of the debts of Silver countries was borrowed from the Gold countries, and payment accepted in Silver because it was believed to be equivalent to a fixed weight of Gold. In the same way a vast amount of loans and mortgages were entered into based on the same supposed fixity, and surely it is most just to the holders of those bonds, both national and private, to fix the basis of payment at the same figure it was entered into. Nothing has occurred in the last few years to make it unjust, or inexpedient, to resort to the practice of the past two hundred years, or more particularly to the excellent scientific arrangement of the first seventy years of this century, when probably nine tenths of these international engagements were entered into. There is nothing alarming in the present yield of Silver; it is steadily falling off, and is now probably less than 14 millions annually, against 18 or 19 millions of Gold, and what is this when compared with a yield of 30 millions of Gold against 8 or 10 of Silver, which we had for many years, without it being necessary to change the ratio of the metals in favour of a higher valuation of Silver. Besides, the total stock of metallic money in the world at the present time is supposed to be about 800 millions of Gold, against 700 millions of Silver, calculated at

1 to $15\frac{1}{2}$. They are more nearly balanced than in the early part of this century, when Gold was put at 400 millions against 600 millions of Silver. In whatever way we look at this matter, justice, prescription, and common sense unite in recommending the ratio that has so long, and so beneficially, prevailed.

These considerations make it easy to answer the third objection, that "we are debasing the currency."

Our opponents urge that objection on the ground that as Silver now exchanges against Gold at the ratio of say 18 or 19 to 1, we would, by force of law, make it exchange at $15\frac{1}{2}$ to 1, thus artificially raising Silver and correspondingly lowering Gold. The argument is very specious at first sight, and would have force in it if the fall of Silver had arisen from natural causes, but as we have already shewn, human legislation alone has caused the fall, and, therefore, human legislation can and ought to undo the mischief. No one who has studied the subject can doubt that if Germany and France had preserved till now the system they had in force up till 1872, we should never have heard of the fall in the value of Silver. We should have heard nothing of the Nevada mines, at least so far as the price of the metal was concerned. Gold and Silver would have remained practically a unit, so far as purchasing power went, and it would have been a matter of indifference whether the one metal or the other was yielded more plentifully, seeing that the value of the metallic medium depended on the joint supply of both metals, and not of either singly. Surely it cannot be wrong for legislation to restore that harmony which

legislation foolishly disturbed; surely it is no fraud to place debtors and creditors in the same relation to each other they held till 1872. The real injustice has all been committed in the last few years. Since that date every man who had a fixed income, payable in Gold, has had it artificially enhanced from causes that he could never have calculated upon. Every man who had a fixed income, payable in Silver, has had it diminished from causes on which he could never have calculated. Surely the holders of fixed incomes in Gold will not be so unjust as to persist in claiming more than their due in order that holders of Silver incomes may get less. No durable international arrangement could ever be made in order to benefit one class at the expense of another; there must be an honest desire to give all their due, and to build upon principles of undoubted equity, otherwise the edifice is sure to tumble down.

But, English objectors will add, why should the English pound sterling be debased, or lowered in purchasing power, because Germany and France have made changes in their currency laws? We reply that the effect of those laws was, artificially, to enhance the value of the pound sterling, and we ask you to consent to its being placed where it stood before, because in no other way can a reform be carried out which is of incalculable value to the world at large.

But some superficial observers may say, "The pound sterling has never been changed since specie payments were resumed in 1821; the Silver legislation on the Continent cannot have affected it, for it has always repre-

sented a fixed weight of pure Gold (say 113 grains) from that day to this." We reply, the English pound sterling was as much affected by the value of Silver up to 1872 as if England had been bi-metallic. The Gold of England felt the competition of the Silver of the Continent just as keenly as if Silver had circulated equally with Gold in this country. The exchangeable value of the metals in Paris was practically the exchangeable value in London, in Calcutta, in New York, everywhere. The more Silver France coined the less Gold she needed, and the more Gold was available for England and other countries. The arteries of circulation in France carried a certain amount of metallic money; when most of that was Silver, more Gold was available for other countries; when little of that was Silver, more Gold was needed for France, and less was available for the rest of the world. The buying power of English Gold was as much affected by the Silver that was coined and circulated on the Continent as the value of English wheat is affected by a deficient, or abundant, crop of cereals in France or America. It is nonsense to assert that the English Gold standard was unaffected by monetary changes on the Continent. There cannot be a doubt that the purchasing power of Gold has been artificially enhanced by the expulsion of Silver from its function of money over a portion of the Continent, and if that foolish policy were to prevail so far as to lead to the universal expulsion of Silver, the buying power of Gold would be nearly doubled. No doubt this policy would apparently benefit for a time that small class of capitalists whose income is paid in a fixed weight of

Gold ; they would be, seemingly, benefited at the expense of the mass of the nation. We say seemingly, for great wrongs bring retribution sooner or later. The dreadful dislocation of industry thus brought about, and the suffering of the masses, would most probably lead to violent remedies, such as all friends of peaceful progress would deplore. No true interest of mankind is ever conserved by injustice, and there is no kind of injustice that more keenly affects the industrial classes than artificial changes in the standard of value, by which all debts are measured, and all contracts settled. We allege, without fear of contradiction, that the depreciation of Silver, brought about by bad laws, has artificially enhanced the value of Gold, and that justice demands the restoration of both metals to the relationship they held until a few years ago. We do not say debase the British currency, but prevent its artificial enhancement, and correlate it with the entire metallic currency of the world as it used to be—revert to the old arrangement which practically existed since the world began, viz. use all the produce of the mines, both Gold and Silver, as full valued money, that is as full legal tender for the discharge of debts. Why cut off one of the two great sources of metallic money, or why throw our influence in that direction? It virtually turns upon England, whether the process of Silver demonetization, now commenced, goes on with ever increasing mischief, or is arrested permanently. Surely her wisest policy is to aid, to the fullest extent, the utilisation of all the money that nature gives us. Nature is no blind guide ; there are proofs of

unerring wisdom in all her arrangements, and when she supplies us with two metals to serve as money, it surely is the height of folly to throw one of them overboard.

But then the question arises, what chance is there of getting a great monetary union, and what likelihood of its being preserved, if obtained? We reply that all turns upon the attitude of this country. We know that the delegates from the United States to the Paris Conference last year were charged with a scheme of general bi-metallism; it is beyond dispute that the American people believe in that system, and strenuously urge its adoption, but they will not adopt it single handed; their best authorities concur in urging delay till the Powers of Europe meet them half way. Many English writers dispose of the well known preference of America by the sneer that, as they own the chief Silver Mines, they naturally wish to reinstate Silver. The proper answer is that the United States produce equal values of Gold and Silver, and whatever the Silver miners gain the Gold miners lose, but as many of the mines produce both metals blended together even that slight opposition of interest disappears. Besides, it is only trifling with the question to make it depend upon fancied gain or losses to the miners—a most insignificant fraction of the human race, and not to be weighed against the obvious needs of the population of the world.

We next come to France—it is superfluous to say that that country, which still holds about 100 millions sterling of Silver, circulating as full legal tender alongside of Gold

at the ratio of $15\frac{1}{2}$ to 1, would be too glad to have its value restored to the same level outside of France, so as to remove the danger of having at some future time to demonetize this great mass in order to have a currency in full harmony with the countries around it. France, the home of the bi-metallic system, would be too glad to have it re-established on broader and deeper foundations, so as to be able to reopen her Mints to the unrestricted coinage of Silver as in olden times; nor would she be deterred from that task by the imaginary fears of the holders of her 200 millions of Gold that they would thereby lose in purchasing power more than was gained by the 100 millions of Silver.

Germany is the most doubtful of our supposed monetary allies—she has suffered severely in carrying out her Gold policy, but there is good reason to believe that she has learned prudence from experience, and would not be averse to a scheme which would save her from demonetizing the great mass of Silver Thalers still in circulation, as full legal tender, at the old ratio of $15\frac{1}{2}$ to 1. Germany is in fact at present bi-metallic within her frontier, just as France is, but, like France, she has ceased to coin full valued Silver—it would obviously be to her interest to be bi-metallic if France and England were—the German people are more accustomed to, and prefer, Silver to Gold—they are large holders of Austrian Silver securities, and the nation at large would be a great gainer by rehabilitating that metal which is the sole standard of the great nations which are conterminous with half its frontier. Germany lies between bi-metallic France

on one side, and Silver using Russia and Austria on the other—by becoming bi-metallic she would correlate her currency with all her neighbours, to the great advantage of her trade. There is no doubt that she was led into her present course mainly by the example of England, and the national repentance of this country could not fail to have a powerful effect on her erring sister.

The fact is, the real crux of the situation lies here in England—our real difficulty is to convert the British Nation, especially the monied and influential classes. We have to shew them how vitally they are affected by the dislocation of the two metals; how terribly our far reaching commerce suffers; what a barrier is now interposed to the flow of capital into the poorer Silver using countries of the world with which most of our trade is carried on; how, in fact, Great Britain, as the great trader of the world, is by far the greatest sufferer. We have specially to urge upon them that England, as the Mistress of India, is interested in Silver beyond any other country on the globe. The finances of that great Empire are all based upon Silver, and the accumulated savings of 200 millions of Hindoos are mostly invested in Silver. No one can tell what a mass of Silver exists in that country, which has been the chief receptacle of the stream that flowed from Europe for hundreds of years. It is not improbable that India holds 200 millions sterling in the shape of coin, besides a still larger amount in the shape of bullion and ornaments, and surely a policy that would restore its former value to that mass of money, and bring it into

a fixed relationship to the Gold of England, would be at once wise and generous. The British Empire, take it all round, is much the largest holder of Silver in the world; its stake in that metal is double its stake in Gold, and were the seat of Empire at Delhi, instead of London, there can be little doubt what the decision would be—if the greatest good of the greatest number is to be the motto of Government there can be no doubt what the decision should be. Surely it is not too much to ask that the capitalists of this country, a mere fraction of the population, should view this question in its world wide significance, and submit to any little inconvenience that may be needful in carrying out a scheme of vital importance to mankind at large.

But lastly, it will be urged that if the proposed compact be made between the four chief monetary Powers it will be broken on the first outbreak of war. We reply, most improbable—each country in the group has a vital interest in conserving the system, and would hurt herself far more than any other in breaking away from it. If perchance one of them, under stress of war, had to suspend specie payments for a time, as the United States did during its civil war, the bi-metallic system would not be impaired. America virtually parted with her specie between 1861 and 1865, but it did not produce any effect on the bi-metallism of Europe, which was then limited to the Latin Union. Any State which had, temporarily, to suspend specie payments would undoubtedly resume in what would then be the world's money—not to speak

REPORT

SPECIAL COMMITTEE

On the state of trade in connection with the discrediting of Silver as money, appointed by the Council of THE INCORPORATED CHAMBER OF COMMERCE OF LIVERPOOL, on the 24th February, 1879, under the following resolution :—

> "That the question as to remedial measures for the continued mercantile and manufacturing distress, as being largely caused and intensified by the discrediting of Silver as money, be referred for consideration to a Special Committee, with power to add to their number, and to report."

Presented to the Council, and adopted, on Tuesday, the 25th March, 1879.

TO THE PRESIDENT AND COUNCIL OF THE INCORPORATED CHAMBER OF COMMERCE OF LIVERPOOL.

GENTLEMEN,

Your Special Committee, appointed by the Council on the 24th February last, to consider if any, and what, remedial measures might be taken for the amelioration of the present Mercantile and Manufacturing Distress, in so far as it may be caused and intensified by the discrediting of Silver as money, have now to submit the following

REPORT.

In the discharge of the duties devolving upon them, your Committee have throughout been impressed by a deep sense of the important nature of the investigations confided to them.

In presence of the extremely depressed state of trade, and of the long continuance of the depression, the Committee considered it their first duty to arrive at the truth regarding the adverse influence which the recent demonetization of Silver in Europe is alleged to be exercising over trade and commerce throughout the world.

They, therefore, determined to prosecute their enquiries under separate branches; and they took as the first branch of enquiry—

I.—THE EFFECTS OF THE DISCREDITING OF SILVER ON OUR COMMERCE AND INDUSTRIES.

After full deliberation and discussion, the following conclusions were unanimously arrived at:—

1st. That the recent shrinkage in value of the world's Silver money, measured in Gold, is very large, and there is every reason to fear that, with the prospect before us, the depreciation will continue to increase.

2nd. That there has besides been much diminution in the value of investments of English capital in the public funds, railways, &c. of Silver-using countries.

3rd. That we are now compelled to look upon the Silver of the world as in large measure cut off from its previous sphere of usefulness as one of the two agents for the liquidation of international indebtedness.

4th. That the serious diminution of the world's money, caused by the disuse of Silver, may, in the future, lead to frequent panics, through the inadequate supply of Gold for the world's wants.

5th. That the uncertainty regarding the course of exchanges, in the future, largely prevents the further investment of English capital in the public funds of Silver-using countries, or in railways, industrial enterprises, and commercial credits.

6th. That the friction and harassment now attending business with Silver-using countries, as India, China, Java, Austria, Chile, Mexico and others, naturally lead merchants to curtail their operations in the export of our manufactured goods, and to restrict the employment of English capital in such business.

7th. That this is a most serious question for India, which many believe to be so impoverished as not to be able to bear increased taxation.

8th. That the depreciation of Silver seriously affects the power of Silver-using States to purchase English manufactures, and leads to increased taxation, thus further curtailing the trade which has hitherto been carried on in English commodities.

Having arrived at conclusions so serious, bearing so directly on the present mercantile distress, your Committee next resolved to take into consideration:—

II.—THE MAIN FACTS REGARDING THE PRODUCTION OF THE TWO PRECIOUS METALS DURING THE PRESENT CENTURY.

And they arrived at the following conclusions thereon:—

1st. That early in the present century the supply of Silver from the mines of the world greatly predominated, being in the proportion of about 3 of Silver to 1 of Gold.

2nd. That, on the other hand, from the year 1848, and for 20 years thereafter, the supply of Gold greatly augmented, and largely exceeded that of Silver.

3rd. That during recent years the supply of Gold has fallen off very much, viz: from about £33,000,000 in 1852 to £19,000,000 per annum at the present time, while the supply of Silver has augmented considerably.

4th. That, at the present time, however, the supply of Silver does not equal that of Gold, the yield being about £14,000,000 of Silver to less than £19,000,000 of Gold.

Your Committee, consequently, became impressed with the conviction that the recent fall in the price of Silver cannot be attributed to excessive production. After further mature deliberation, they adopted the following resolution:—

> That the recent great fall in the price of Silver is principally to be attributed to the suspension of its free mintage in France, and the States of the Latin Union, consequent upon the adverse action of Germany in demonetising Silver.

To this Resolution there was one dissentient.

At this stage of their enquiry it seemed to be incumbent on your Committee to ascertain, and put on record, their conclusions as to the means by which Silver had, for so long a period previous to the year 1875, been kept, with very unimportant oscillations, in such a relation to Gold as to make it possible to speak of a par of exchange between the two metals; and the following Resolution was adopted by them as expresssing the result of their deliberations under this head:—

> That the bi-metallic system of France and the other States of the Latin Union, in conjunction with free mintage, prior to 1875, tended to produce an equilibrium between the two metals, and to give stability to all exchanges between Silver-using countries and England.

Your Committee having thus arrived at clear and strong convictions as to the magnitude of the evil, and the serious consequences to our commerce and industries, resulting from the discrediting of Silver by the nations of Europe; having ascertained also what they believe to be the real cause which has brought about the discrediting of Silver as money; and having recognised the beneficial action of the French bi-metallic system so long as it was in operation, they then proceeded to the consideration of the last, but most important, branch of this enquiry, namely:—

III.—WHAT REMEDIAL MEASURES OUGHT NOW TO BE ADOPTED SO THAT SILVER MAY AGAIN PERFORM, INTERNATIONALLY, ITS PROPER FUNCTION AS MONEY.

The following Resolutions contain the result of their deliberations under this head, and it is especially to these, in their important bearing on the present state of this monetary

question, and to their effect on Indian finance, and on the trade of England, that the Committee desire to call the attention of the Council:—

1st. That a fixed ratio between Gold and Silver, in conjunction with unlimited freedom of mintage, and the recognition of the two metals as full legal tender money, would, if adopted by the majority of the leading monetary powers, including England and India, be adequate to restore Silver to its former international value as money.

2nd. That it is desirable that our Government should adopt measures for securing an International Agreement, by which Silver may be restored to its legitimate share in providing metallic currency sufficient for the wants of the world.

In order to give practical effect to their conclusions, your Committee unanimously recommend that the result of their investigations, together with the resolutions adopted, shall, without loss of time, be placed in the hands of Her Majesty's Ministers.

Your Committee would, in conclusion, refer to the fact that nearly all the Members of your Special Committee attended the meetings with regularity, and were deeply impressed with a sense of the great importance of this enquiry. They desire also to place on record the almost absolute unanimity with which resolutions so weighty have been adopted. At the commencement of their investigations much aversion was manifested against adopting conclusions which so directly impugn the wisdom of our monetary legislation of 1816, by which Gold was made sole legal tender money in England. If the free mintage system of France had not been suspended, and if monetary legislation on the Continent of Europe had not been made, like our own, directly adverse to the use of Silver as money in the

world, your Committee would not have been called on to consider the wisdom, or unwisdom of our own position. The necessity of the case, however, has compelled us to face the question in all its bearings. Natural antipathy and aversion have yielded to conviction, and your Committee would here mention the fact that several of their number who at the outset were disinclined to the remedial measures which were ultimately recommended, became at last their warmest supporters. Your Committee are aware that the remedy proposed is not generally believed to be in harmony with the opinions which have, for many years, prevailed in England. They are persuaded, however, that if thoughtful men throughout the country will deliberately, and without prejudice, consider the whole question, connected as it is with the long-continued mercantile and manufacturing distress, their conclusions will eventually come to be, in most instances, in consonance with those of your Committee.

STEPHEN WILLIAMSON, *Chairman,*
and Vice-President of the Chamber.

LIVERPOOL, 21*st March,* 1879.

1876.

THE SILVER QUESTION.

I.—My object is to show in a succinct manner, that the real remedy for the intense suffering caused by the depreciation of Silver, is the international adoption of the old bi-metallic system of France, and the first point I shall deal with is its practicability.

It is supposed that the metallic money in the world is, pretty nearly, equally divided between Gold and Silver. Up till lately it may be said roughly that half the business of the world was transacted in Gold and half in Silver, or paper founded upon them; and as France for three quarters of a century coined both Gold and Silver to an unlimited extent, making them each full legal tender, at the ratio of 1 of Gold to 15½ of Silver, that ratio practically obtained all over the world. Nor was it disturbed when the discovery of the Californian and Australian mines suddenly increased the yield of Gold from six to thirty millions sterling annually, without any change in the production of Silver. France was, in fact, the regulator of the world, and her legal ratio was practically adopted by all other nations that

used Silver money. The first blow to this convenient arrangement was struck by Germany resolving to demonetise Silver, and adopt Gold as its sole standard, but even then there was but little depreciation so long as France continued to coin on the old ratio. It was only when she, fearing the enormous influx of German Silver, in self-defence practically ceased to coin that metal, and carried along with her the Latin Union of States, that the great depreciation set in.

The real cause of the fall in Silver is neither the increased production, nor the diminished demand for India, but the demonetisation policy of Europe, forced on by Germany. Had the monetary state of Europe remained the same as before the Franco-German War, and the Mints been open to coin Silver at the old ratio of 15½ to 1, there would have been no deviation from that ratio to-day, and Silver would have been quoted about 5s per ounce. The increase in the production of Silver of late years has been from—say ten millions annually to sixteen millions sterling, in 1876 (twenty-two millions in 1886)—and that would have no more affected the relative value of the metals than did the increase in the production of Gold in 1848-50 from six millions to thirty millions, which also had no effect in lowering the value of Gold, in relation to Silver.

This brings us to the kernel of the whole question—*Can legislation fix a definite ratio between Gold and Silver, or can it not?* Our opponents say it cannot, any more than it can fix a definite ratio between corn and cotton. They say that the cost of production must

determine the market price of the respective metals, and that all legislative interference is mischievous and futile. This would be perfectly true if the precious metals were not used as money. Could we conceive that we were in a state of barter, and that Gold and Silver were used simply for purposes of ornament, the law would of course be unable to assign them a fixed relative value. It is, moreover, very unlikely that either of them would bear nearly as high a value as they do now, seeing that the chief use of these metals is for money, and even their subordinate use for ornaments arises partly from the factitious distinction they have acquired on account of their higher use for money. An entirely new set of laws is introduced from the time that Governments elevate either, or both, metals to the rank of money. First of all, a vastly increased use is given to the metal, or metals, so used, and along with this increased use a much higher value than would otherwise have prevailed.

All this, however, it may be said, is mere abstract reasoning. The precious metals have always been used for money, and no doubt were designed to be so used, and the only point to be discussed is whether legislation should leave their respective value to be settled by the laws of supply and demand, or try to establish a fixed ratio between them. *I hold that it is better for the world at large to retain them both as full legal tender money at a fixed ratio, and that it is possible to do so by common consent.*

The latter proposition I will try to prove first. Suppose that in England all debts could legally be dis-

charged either by Gold or Silver at the rate of 1 of Gold or 15½ of Silver, or by bank notes payable in either at the option of the bank, and suppose, further, that the Mint would receive Gold or Silver for coinage to an unlimited extent, giving legal tender notes of equal value for 1 of Gold or 15½ of Silver, I say that in England it would be impossible to have fluctuations in the relative value of Gold and Silver. Neither would there be a temptation to pay in the cheaper metal, for there would be neither cheap nor dear, any more than there is now between Gold and bank notes. Money is of no use except to make payments, and if no person could settle debts in Silver so as to gain any advantage as compared with settling them in Gold, why should he prefer to pay in Silver? Payment would, in fact, be made as now by bank notes, cheques, &c. and the only difference would be that the issuing banks would hold Silver as well as Gold, for each metal would be alike valuable to them. It is clear, however, that such a system, to work safely, would require the consent of adjacent nations. If Silver in France and Germany was valued at 18 to 1, while in England it was 15½ to 1, Gold would leave England, where it exchanged for only 15½ of Silver, and flow to countries where it exchanged for 18 of Silver. England would become a country of Silver currency, and France and Germany of Gold. This is just the position in which France finds herself at present, and she is, therefore, compelled to discontinue coining Silver.

It is quite clear, in order to have a bi-metallic system permanently established, that a convention of leading

nations is required to fix a common ratio in which they will all coin money, and pay their debts. A more proper subject for an international agreement could not be conceived. All nations benefit by stability in monetary matters. None, except thieves and rogues, wish to borrow in one standard and pay in another. Were such an agreement entered into, and all the leading commercial nations undertook to coin the precious metals, and make them full legal tender, on the plan I have supposed for England, it would be as impossible for Gold and Silver to fluctuate in relative value all through those countries, and, indeed, through the world, as it would be in Great Britain on the hypothesis I assumed above. And the greater or less production of the respective metals would have nothing to do with it, just as the sudden jump in the Gold production from £6,000,000 to £30,000,000 in 1848-50 did not depreciate Gold as compared with Silver, because the bi-metallic system then ruled on the Continent; neither would a jump in the production of Silver from £16,000,000 to £30,000,000 or £40,000,000, were such to happen, if the bi-metallic system were again adopted.

What the law cannot fix is *the purchasing power of the precious metals in relation to other commodities.* Suppose, for argument's sake, that the joint production of Gold and Silver, which is now (in 1876) about 33 millions annually, were to become 100 millions, we should find a rapid rise in money prices; in other words, a diminution in the real value or purchasing power of money; but what the law *can do* is to prevent fluctua-

tions in value as between Gold and Silver, by making them both legal tender at a definite ratio. If, however, the law makes Gold only legal tender, Silver, of course, would fluctuate like other rare metals, such as platinum. In the same way, if Silver were made sole legal tender, Gold would fluctuate like other rare metals. If, for instance, Chevalier's proposal to demonetise Gold, made some twenty or thirty years ago, had been generally adopted, we should have seen far more violent fluctuations in the market price of Gold, measured by Silver, than we have lately seen in the market price of Silver, measured by Gold. Now, as stability of value is one of the most necessary qualities of money, I hold that it is better to confine fluctuations to the mass of Gold and Silver combined, than let each metal fluctuate separately. Gold alone has varied within this century from an annual production of £3,000,000 to £30,000,000, or tenfold; but Gold and Silver combined have only varied from about £10,000,000 to £40,000,000, or fourfold—hence the joint metal forms a more stable mass than Gold alone. It is like a kite with a heavy tail to it, which prevents it from swaying to and fro; whereas Gold alone is like a kite without a tail, which obeys every gust more readily.

II.—So far I have dealt chiefly with the question whether or not it was possible for nations, by common consent, to establish a fixed ratio of value between Gold and Silver, and tried to show that it was perfectly practicable, provided both metals were made full legal

tender for the payment of debts at the ratio fixed by law, whether that be 15½ of Silver to 1 of Gold, or any other.

I now wish briefly to point out some of the advantages which would result from the adoption of the bi-metallic system as thus defined.

1. It would greatly facilitate transactions between countries using a Gold and countries using a Silver standard, by reducing their money, as it were, to a common denominator. For three quarters of a century the Silver rupee was practically worth the tenth part of a sovereign, the Silver franc the twenty-fifth part, and all other leading Silver coins some other fixed proportion, and the reason of this stability was that France coined either Gold or Silver to an unlimited extent at the ratio of 1 to 15½. The whole world benefited by the regulating influence of her bi-metallic system ; hence it happened that when the extraordinary Gold discoveries of 1848-50 increased the yield of Gold fivefold, there was no change in the relative value of the precious metals, and commerce went on all over the world undisturbed by the change.

The same happy result would flow from the re-adoption of the bi-metallic system ; the annoyance, inconvenience, and loss to merchants trading between countries using a Gold and a Silver standard would be at an end. We should no longer see the rupee worth at one time the tenth of a sovereign, at another time the thirteenth part, and perhaps at some future time the twentieth part. We should preserve the incalculable advantage for mankind of speaking as it were one

monetary language instead of a babel of tongues. But this is the least advantage. Commerce can no doubt overleap the barriers of fluctuating Exchanges, and our merchants, warned by the past, can protect themselves tolerably well in the future against fluctuations in Silver, as they have done against fluctuations in the inconvertible currencies of America, Russia and other countries—business will go on in spite of these difficulties, just as people would continue to cross the Atlantic if steamships were abolished, but with less comfort, and more risk.

2. A much greater advantage would be the gain to the cause of honesty and fairplay, as between man and man, nation and nation. Let me explain what I mean. During the seventy years of this century, when Gold and Silver remained practically at the ratio of 1 to $15\frac{1}{2}$, an immense pile of national debts, railway bonds, private mortgages, and other obligations (public and private) has been reared. The greater part of our national debt has been contracted in that period, with interest payable in Gold. The United States debt has been piled up also, with interest payable in Gold; the debt of France, with interest payable in either Gold or Silver; the debts of Russia, Austria and Italy, with interest payable part in Gold and part in Silver; the rupee debt of India, with interest payable in Silver; and so on with the minor States. These engagements represent thousands of millions sterling, and constitute the chief investment of the savings of a large portion of mankind, including the property of multitudes of widows and orphans. The same may be

said of the borrowings of railways, and other private corporations, whose interest is payable throughout those countries in one or other metal, or in both.

The innumerable multitude of people who lent this money did so on the faith that the standard in which they were paid would not be tampered with by violent monetary changes. They may have known little of monetary laws, but they knew from experience that Gold and Silver were alike valuable at the ratio of 1 to 15½, which had ruled during their lives, and the lives of their fathers, and it was the implicit faith in this fixity of value which induced English capitalists to lend one hundred millions to the Indian Government, with interest, to be paid in rupees, at the rate of 4 or 5 per cent, and vast sums to other countries, also to be paid in Silver. The same confidence made the French peasant empty his old stockings of Silver five-franc pieces and Gold napoleons, and lend them to his Government, and made the thrifty German invest much of his savings in Austrian Silver-paying securities. On the other hand, Russia and other foreign countries, notably the South American Republics, borrowed much money in London, engaging to pay the interest in Gold, though their own revenue was collected in Silver, because they expected (as past experience had taught them) that they could procure the Gold (to pay the interest) by exchanging for it 15½ times its weight of Silver.

In short, a large network of borrowing and lending has been drawn over the entire civilised world, based upon the belief that either metal was alike valuable at the ratio which had so long prevailed.

Anyone can see at a glance what an evil it would be to have Gold and Silver, as it were, divorced from each other, and following incalculable laws of relative value in future, like the unknown motions of comets. At present all the nations, and individuals, who have contracted to pay Silver are saving much of their legitimate outlay. The unfortunate recipients are mulcted of their just dues. Those again who have engaged to pay Gold will gradually find, by the operation of another law (which I have not yet referred to), that their obligations will get heavier and heavier, and that their creditors will reap an undue advantage.

It is as if all contracts for the sale of land had been made by a yard measure throughout the world, but in some countries the yard was divided into three feet, and in others into thirty-six inches. For a long time these measurements coincided, but at last, by some freak of fortune, the inch came to be shortened by a quarter, and so it came to pass that people in one country who had bought land in another expressed in the common term "yard," found that they were getting 25 per cent less than they had paid for. The analogy would be closer if we could suppose that a great portion of the earth's surface had been so transferred during a long period in which payment was deferred, and that when the buyers had paid their money, and taken up the titles, they suddenly found that, by a trick of words, they had been defrauded out of a quarter of what they had paid for, and believed that they would get.

Of course this parallel is imperfect, for we know well

that no wilful monetary fraud has been practised by any country; but the effects of the revolution we are passing through are very similar to what we have described, and it must be apparent to anyone who loves to see justice and fairplay among mankind, that if this wrong can be obviated, it is worth attempting, and ought to be attempted.

3. But, thirdly, another weighty consideration is this: the countries using Silver money—that is, fully half the world—will find that the inconveniences are so great (provided no remedy be applied) that they will be driven ultimately, one after another, to demonetise Silver and use Gold exclusively as their standard. The result of that will be that Silver, instead of being worth, as at present, about 4s per ounce, say about 19 to 1 of Gold, may drop to 2s per ounce, or some other figure so low as practically to beggar all nations that have borrowed in Silver, and have to pay in Gold, and virtually confiscate the property of all who have lent their money to nations, or individuals, for payment of interest in Silver.

No doubt, if such a state of things were to happen, some countries would have to pass into liquidation, and make a composition with their creditors, and ultimately matters would settle down everywhere, after excessive suffering and confusion, into a universal system of Gold payments; but the necessary consequence would be that the metallic basis, on which the business of the world was done, would be immensely reduced; it would be as if the mines were shut up for several years. Instead of,

say, 1400 millions of Gold and Silver to do the business of exchange, there would be 700 or 800 millions of Gold, and a limited amount of Silver as small change. Money values would fall greatly; national debts like our own would press much more heavily, and a period of suffering, and contraction of business, would ensue similar to what the United States has experienced on coming painfully back from inflated paper towards specie payments.

No doubt at last the process would be accomplished, and, after a century or so, the world could trade perhaps as well on Gold alone, as on Gold and Silver combined. But why have the intermediate chaos if it can be avoided? My contention is that it can be avoided by an international monetary convention between the four leading commercial nations—perhaps between England and France alone—and in this convention all would be gainers and none losers, for in the long run all the best interests, either of men or nations, are served by keeping their obligations inviolate.

III.—There cannot be a doubt that, at first sight, and before the question is fully studied, the bi-metallic system, as advocated by M. Cernuschi, Ernest Seyd, and others, appears to be opposed to the principles of "free trade," and to ignore the laws of "supply and demand." This generation of Englishmen has been trained up to believe in free trade so implicitly, that a presumption is raised against any scheme which involves legislative interposition.

It appears at the first blush that Gold and Silver,

being articles produced by human labour, must have their respective value determined by the same laws as cotton, or corn, or coal, or iron. It would be folly to ignore the strength of the prejudice we have to encounter from the commercial and economical training of the people of this country. It all the more devolves on us to show how far those "laws of supply and demand" bear upon the question at issue, and to point out clearly where they hold good, and where they fail to be applicable. Now, it is an undoubted fact that the price of all articles intended for consumption is determined by the relation of supply to demand at any particular time, and over longer periods by the cost of production. The price of cotton or sugar, at the moment, is determined by the state of the market, but ultimately, and in the long run, by the cost of producing them. Everyone knows that if either of them fell for some years much below the cost of growing it, production would fall off, and the price rise correspondingly. The connection between the two is so palpable that everyone can perceive it. This law, however, acts with immensely greater force upon articles of trade than upon the precious metals, for the simple reason that most crops grown in the world are consumed within the same year, or at most the following one, and pretty nearly the same may be said of manufactured goods. The world's production of all consumable articles is but a few months ahead of the world's consumption, hence any falling off in production quickly brings on scarcity and such high prices as to stimulate production again.

It is altogether different with the precious metals. Their durability is so great that probably a considerable proportion of all the Gold and Silver that has been extracted from the bowels of the earth, since the days of Abraham, is still in existence, either as money or ornaments, and the addition made annually to this mass, by the yield from the mines, is so small that it hardly affects the bulk appreciably ; hence it happens that long periods of small production, such as last century and the early part of this, scarcely increased the purchasing power—that is, the real value of the precious metals. Neither did the extraordinary discoveries of Australia and California, which increased the Gold production fivefold, appreciably lower the purchasing power of money for several years, and even yet economists dispute whether it has been lowered so much as 15 to 20 per cent in consequence of the great production of Gold for thirty years past.

These remarks are made to show how little the "cost of production" has to do with the value of the precious metals, at any given time, and how the phrases that are derived from commercial experience are misleading when applied to monetary matters. It would almost seem as if it were the design of the Creator to supply the precious metals in such quantities that their value should be more fixed and stable than that of anything else, and with the experience of four thousand years to guide us, we may fairly conclude that the future has no monetary cataclysm in store for us to upset well-devised schemes based upon the comparative stability in value of the precious metals.

All this, however, is merely preliminary to what I have to say as to the value of Gold and Silver in relation to one another. The crucial point of the whole question is, *Can legislation fix a ratio between them, or does the cost of production fix it irrespective of all legislation?* Our opponents say that Gold will fall, in relation to Silver, when produced more cheaply, and that Silver will fall, in relation to Gold, when produced more cheaply—in spite of all laws of mankind to the contrary. I marvel that none of them attempt to explain why it was that, in 1848-50, when the production of Gold increased all at once to fivefold, and its cost of production, perhaps, fell nearly as much, *it did not vary in value as compared with Silver*; here was a crucial test of the soundness of their theories: the very thing happened which should, according to their view, have shattered all bi-metallic theories. There never was an instance before of a more remarkable change in the cost of production, and the quantity produced, of one metal compared with the other.

We all know what would have happened if the production of wool had suddenly increased fivefold, while that of cotton remained unchanged. Wool, instead of being worth more than double the price of cotton, would for some time have been cheaper, just as cotton during the American War, from extreme scarcity, became worth more than wool for a short time. Why did we not see Gold, in place of exchanging for 15½ times its weight of Silver, as in 1800 to 1848, suddenly fall till it only fetched eight, or ten, times its weight of Silver! The cost of producing Silver, and the quantity annually

produced, remained about the same during 1850-60 that it was during 1840-50; but Gold was produced at the rate of thirty millions annually in place of six, and during the first flush of Gold-mining the cost of producing was vastly less than it had been for centuries before.

Is it not present to the recollection of most people what fortunes the first miners in Australia and California made? We should not be surprised if statistics could prove that in the first year or two of the Gold discoveries, the average takings of each miner were £1 per day, whereas, probably, the average earning in all the Gold and Silver mines of the world up till 1848 was not more than 5s per day—that is, the cost of producing Gold, as measured by the wages of labour, fell to one-fourth of what it was before, while that of Silver remained unchanged. We could not imagine any set of circumstances more elaborately contrived to bring out into bold relief the so-called "cost of production" theory in relation to the precious metals.

All the arguments of our opponents would go to prove that Silver must have mounted up quickly to 10s per ounce in the London market; but, strange to say, nothing of the kind happened! The price of Silver was not affected—it kept exchanging at the old ratio of 15½ to 1 of Gold, just as if the Gold mines had never been discovered! How is this to be accounted for? We have not heard a word of explanation from our opponents. Surely, the best test of any theory is its power of explaining phenomena. Did not astronomers find out

the falsehood of the Ptolemaic theory by its inability to explain some of the movements of the heavenly bodies? Would not the calculations of modern astronomers be discredited if eclipses did not tally with their predictions? In the same way the monetary theory which accounts for all fluctuations of Gold and Silver simply by the respective cost of producing each metal, utterly breaks *down at the very point where, if true, it* should be *infallibly* demonstrated. I repeat that the true and the *only explanation* is, that the bi-metallic system of *France, then in full force, and followed more or less on the Continent, whereby Gold and Silver could be coined* to an unlimited extent, and made full legal tender at the ratio of 1 to 15½, prevented either metal, in any part of the world, fetching more or less than that ratio. It was nonsense to suppose that a Gold miner in Australia would exchange his Gold, anywhere in the world, for 10 or 12 times its weight of Silver, when by coining it, in France, it exchanged for 15½ of Silver. The bi-metallic system of France was, in fact, the monetary safety-valve of the world. It prevented Gold sinking indefinitely in relation to Silver, and thus producing a far wider range of disturbance than the fall in Silver has produced now.

I hold, therefore, that the proposition is established, beyond controversy, *that legislation can fix a definite ratio between Gold and Silver—notwithstanding great fluctuations in the relative supply of either metal, and great changes in their cost of production.* There can be no doubt that the leading commercial nations combined, probably even France and England alone, can do

for Silver now what France and some minor States did for Gold in 1848-50. There can be no reasonable doubt that bi-metallism can deal now with a twofold supply of Silver (making allowance for the annual sales by Germany), as well as it did with a fivefold production of Gold in 1848-50. The proof seems to me indisputable, and our opponents must either grapple with it, in place of dealing with vague generalities, or admit that they have not probed the subject to the bottom.

1879.

SECOND SERIES.

I.—Let me now say a few words in reply to the view so widely held, in all trading communities, that legislation cannot fix a definite ratio of value between Gold and Silver. Till that view be dispelled there is no chance of converting the British public to "bi-metallism." It has much on the face of it to recommend it. All experience tends to show that articles of commerce vary in value according to supply and demand, and that no power on earth can fix a permanent ratio of value between, for instance, cotton and wool, or iron and copper.

The subject of "money" is a recondite one, and business men are apt, without reflection, to apply to it the principles they have found to be true in the ordinary operations of trade. But as soon as a careful examination of this subject is made, it is found that ordinary commercial laws are inapplicable to monetary questions. Let me illustrate this by referring to the history of Gold and Silver since the beginning of this century. Silver was produced far more largely than Gold in the early part of this century—the best authorities say three times as much. Then came the extraordinary Gold discoveries

of Australia and California, which increased the yield of Gold fivefold, and for several years afterwards Gold was produced to threefold the value of Silver; that is to say, the ratio of production between Gold and Silver has varied ninefold since the beginning of the century. If that had happened between two competing articles of trade, we know that the relative value would have varied enormously. It actually did happen between cotton and wool during the American Civil War, and the price of cotton, which used to be less than half that of wool, became actually higher. But what happened in the case of the precious metals? Their relative value remained identically the same. The quotation of Silver in the London market stood at about 60d to 61d per ounce, with trifling oscillations depending upon the demand for shipment to the East. In other words, the ratio of 1 to 15½ remained, for seventy-five years, practically, the unchangeable value of the two metals.

Now, if the "free-trade" theories are sound, it is perfectly evident that Gold should have become far cheaper, compared with Silver, after the discoveries of Australia and California, than it was before. The yield of these mines, in twenty or thirty years, nearly doubled the stock of Gold money existing in the world, whereas that of Silver money increased very slowly. Why did not Gold diminish in value compared with Silver? We have never heard a valid answer to this question, by our opponents. The reason is that no proper answer can be given from their point of view, but an effective one from ours.

The answer is that France, up till 1875, coined both metals without restriction, making them equally full legal tender for the payment of all debts, at the fixed ratio of 1 of Gold to 15½ of Silver. Inside of France it was impossible for the metals to vary materially from that ratio, and outside of it only by the trifling cost of carriage, and sometimes by the payment of a small commission to bankers when a very heavy and unexpected demand for one metal arose, as happened with Silver in 1864-6, when we had to ship such enormous amounts to India to pay for cotton at four times its usual price. For all practical purposes Gold and Silver kept a fixed ratio of value to each other up till 1873, for the sole reason that France was bi-metallic, and thereby the whole world, and England more than any other country, enjoyed the advantages of bi-metallism. It is true that the people of this country did not know the reason of it. They supposed that the "intrinsic" or "natural" value of Silver, as compared with Gold, was about 5s per ounce. It never occurred to them that it was owing to an "artificial" or "legislative" arrangement by France, and latterly by the combination of States called the Latin Union. We were like an ignorant man who never had indigestion, and did not know he had a stomach, till after a severe fit of dyspepsia, and consulting a doctor, he found he had a delicate apparatus for digesting food which could easily be put wrong. So we have discovered in regard to Silver. The closing of the French mints to Silver has snapped the tie which bound Gold and Silver together, and there is no longer in the world a regulating

power. Precisely the same thing would have happened if, in 1848-50, France had demonetised Gold, or refused any longer to allow it to be coined as full legal tender. That was what M. Chevalier proposed under dread of the huge influx of Gold from Australia and California. Had his advice been followed, we should have seen Silver mounting up to 6s per ounce in the London market; perhaps, after a while, to 10s per ounce, and such intense inconvenience would have happened that possibly the leading nations would have been discussing the question of demonetising the cheap and superabundant metal, Gold, and sticking to the metal of more steady supply, Silver.

Surely if the bi-metallic machinery of France tided the world through the crisis caused by the vast increase in the production of Gold, much more will the adoption of bi-metallism by England, France and the United States, as we propose, tide us through a period of large Silver production. And it must be remembered that, after all, the increase in Silver production in late years, even when added to the mass of Silver demonetised by Germany, is a trifle when compared with the huge addition made to the Gold supplies by Australia and California. The annual production of Silver is now about fourteen millions sterling, that of Gold about nineteen millions; and the amount of Silver sold by Germany may represent about five millions per annum, say, for six years. So that the entire quantity of Silver brought into the markets of the world is just equal to that of Gold. For several years after the mines of

Australia and California were discovered, the amount of Gold brought to market was three times that of Silver, but it was all absorbed without altering the relative value of Gold to Silver, thanks to the bi-metallic system of France. Surely an equal supply of the two metals can be far more easily disposed of by a bi-metallic compact between England, France and America; and the latter two Powers would only be too glad to join us, and would be soon followed by most civilised nations.

People cry out against "artificial" arrangements. It was an "artificial" arrangement that made Gold sole legal tender in England in 1816, whereas, in past times, sometimes Silver only, sometimes Silver and Gold combined, had been full legal tender. It was an "artificial" arrangement that made France bi-metallic till 1873. Another "artificial" arrangement gave Germany a Gold, instead of a Silver, currency. An "artificial" arrangement by this country some time ago made Silver sole legal tender in India. As a matter of fact, it is necessary and unavoidable for all countries to decree which metal, or whether both metals, be used as money, and to that extent "artificial" arrangements cannot be dispensed with. We only ask for one legislative or "artificial" act to undo what another one has done We ask that law shall recognise what nature has always done—viz. supplied both Gold and Silver to mankind for apparently no valid use except as "money," and all history records that they always have been used for money, and recent history proves to demonstration that they can be tied together at a fixed ratio, to the immense advantage of mankind.

Gold and Silver may be compared to two lakes, one fed by a Golden, the other by a Silver stream. The supply pouring into each lake varies very much from age to age, hence it might be expected that the level of the two lakes would vary accordingly. But an extraordinary equality of level having been noticed for many years, a scientific investigation was made, and an underground pipe was discovered which connected the lakes, and caused their waters to rise and fall simultaneously. This pipe was the bi-metallic system of France. But the pipe became choked, and a flood occurred in the Silver stream, which made that lake rise above its ordinary level; while a drought on the other side caused the Golden lake to shrink far below its former level. The stoppage of the pipe was the closing of the French mint to Silver, and till that block is removed the lakes will rise and fall without reference to each other, and the sage economists will tell us that their "natural" or "intrinsic" level must be determined by the volume pouring into each, and that no "artificial" arrangement can withstand "the laws of supply and demand." We say, restore the connecting pipe, and we shall soon see which is true—the logic of facts, or the speculations of theorists.

II.—A letter has appeared, in which the following paragraph occurs:—

"To pay the mercantile balance, taking Silver at 4s per ounce, would require 100,000,000 ounces of Silver—to pay the Council drafts at the same rate would require

50,000,000 ounces. That is to say, on balance, India would receive 50,000,000 ounces of Silver. If you raise Silver to 5s per ounce, India would receive for her trade only 80,000,000 ounces of Silver, and would have to pay for Council drafts only 40,000,000 ounces. That is to say, on balance, she would receive 10,000,000 ounces less Silver than she does now. But 10,000,000 ounces Silver could be coined into 25,000,000 rupees; so, on the year's transactions, she would be that amount poorer, according to the bi-metallic doctrine."

Permit me to make the following reply. If it is any benefit for India to get a greater weight of Silver to discharge the balance due to her, then it will be good for her to have Silver at 1s per ounce; for she will get four ounces for one she gets at present. Proceeding further in the same direction, it would be good for her to have Silver as cheap as copper or iron! But the consequence would be that Silver could no longer be used for money at all. A standard of such fluctuating value is worthless; it would not suffice to contract and discharge debts with Gold-using countries; we could no longer lend money (capital) to India, nor could she venture to borrow it, and, to a large extent, she would be cut off from international trade.

All these evils flow in great measure from the existing depreciation of Silver, and from the total uncertainty of its future value; and we wish to remedy them by tying Gold and Silver together by international law, on a much wider and surer basis than France alone could do; and yet she secured practical stability for seventy years,

as we saw from Mr. Barclay's table, published the other day (extreme range 15·20 to 15·80). True, the Silver miners of America would gain one or two millions a-year, but the Indian Government would gain four millions; the English merchant, in dealing with Silver-using countries, many millions a-year; the English capitalist, who has invested in the securities of Silver-using countries, tens of millions—the whole world would gain, and nobody lose in the long run, by restoring the link which enables one half the world to trade safely with the other half, and capital to be lent by rich countries to poor ones, to the great gain of both. The question is not mainly, or merely, the weight of metal, but the highways on which the trade of the world can most safely travel.

III.—Frequent reference is made to the "cost of production" as the chief element in determining the value of Gold and Silver, accompanied by sly hits at bi-metallists, as if they ignored one of the elementary laws of political economy. Permit me to say what one at least of these heretics holds on this point.

The cost of production, in any given year, has no appreciable effect on the value of the immense stock of the precious metals in the world. It is even doubtful if it has when spread over a number of years, except so far as it affects the quantity produced. The cost of getting Silver out of the Comstock lode has been estimated as low as 1s 6d per ounce; but, as the yield is only a few millions a-year, and the stock of Silver money in the world is 600 or 700 millions, it has no perceptible effect

on that mass from year to year. It might continue for a century to be 1s 6d per ounce; but if the other Silver mines ceased yielding, and the total quantity of Silver produced in the world diminished, and if at the same time Germany, France and England should remonetise Silver, the fact of that one mine yielding Silver at 1s 6d per ounce would not prevent Silver rising in price. When the Australian and Californian mines were discovered, the cost of producing Gold fell enormously. Probably it would have paid the first miners very well to get £1 per ounce, but this cheap production had no effect on the purchasing power of Gold till a large addition was made to the mass existing in the world. It was ten or fifteen years after these discoveries before the best economists admitted that there was a decline in the purchasing power of Gold, owing to the increase of the quantity, and then it was not put at more than 10 or 15 per cent.

As a matter of fact, the cost of production, apart from the quantity produced, has nothing whatever to do with the purchasing power—that is to say, the real value—of either Gold or Silver. Suppose, for instance, that all the mines in the world were shut up except one or two of the richest Gold and Silver lodes, which cost to work only £1 per ounce for Gold and 1s 6d per ounce for Silver; and suppose that the production of the precious metals, which is now about thirty-three millions a-year, fell to ten millions a-year, the value of the mass of money in existence would slowly and gradually rise, just because the annual supply would not meet the

requirements of the increasing trade of the world. Suppose, on the other hand, that the rich lodes were worked out, but a great number of poor mines were discovered, where the working cost £3 per ounce for Gold and 4s per ounce for Silver, but the yield was fifty millions a-day, then the reverse effect would happen—the purchasing power of money would slowly fall, though the cost of mining was much greater than on the other supposition. These two theories roughly show that there is no connection between the cost of working mines at any given time, and the value of the metals when produced. There are now, as always, certain mines where the cost of producing is far less than the value of the metals produced, and others where it is far greater, and where they are worked for years at a heavy loss in the hope that richer ore will be found some day.

It can only be said with truth that the cost of production affects the value of the precious metals when it touches the quantity produced, and even then very slowly and spread over several years. Now, we readily grant that no laws on earth can prevent the effect which the more or less abundant yield of the mines will have on the purchasing power of the metals. The discovery of the South American mines in the sixteenth century is thought, in the course of one hundred years, to have lowered the purchasing power of both Gold and Silver fourfold; and had the yield from Australia and California continued equally rich, say, for one hundred years, it might perhaps have done the same, or at least lowered the value one-half. But what we say law can do is to

use both metals for money, or select the one or the other; and whichever way it decides it will have an overwhelming effect on the value. Suppose England and France had demonetised Gold, as Chevalier proposed in 1858, and the other States of the world had gradually followed till Silver became the sole money of the world. The value of Gold would have fallen till it sank so low that hardly any mines would pay to work. No one can guess what its value would have been in such a case. It would only have been used for ornament, and perhaps an ounce of Gold, in course of time, would have exchanged against an ounce of Silver. Silver, becoming the sole money of the world, would have doubled in value, having double the work thrown upon it which it had before. The Silver mines would have been stimulated, and, if what is said about the productiveness of the Mexican mines be true, perhaps the yield there would have been greatly enlarged; but, as the world needs an annual supply of about thirty millions of money, to supply the needs of trade and keep its value unchanged, the Silver produce, which is now fourteen millions, would have had to increase enormously before it began to reduce perceptibly the enhanced value of Silver money.

I have gone into these lengthy details to show the relation that the yield of the mines has to the value of the mass of Gold and Silver in the world, and to prove that monetary law has a conjoint influence with the quantity produced in determining their value, but its influence is far sharper and more decisive. The action

of Germany and France caused Silver to fall 20 per cent in relation to Gold in the one year 1876. Suppose these countries had made no change in their coinage at all, we should never have heard of the cheap production of Nevada as affecting the price of Silver; its ratio to Gold would have remained just the same as before the Nevada mines were discovered. The same would have happened with Silver in 1876 which happened with Gold in 1850-60. The huge yield of the Gold fields, and the great fall in the cost of producing Gold, did not cheapen Gold, perceptibly, as compared with Silver. The relation between the metals remained substantially the same in 1850-60 as it was in 1840-50, though the cost of digging out Gold then was probably, on the average, not half of what it was in 1840-50, while that of Silver was as great as before. We did not find that the one metal fell, in regard to the other, till seven or eight ounces of Silver exchanged for one ounce of Gold. The range of the London market was $15\frac{1}{4}$ to $15\frac{3}{4}$ ounces of Silver to 1 of Gold. Why this stability in the face of the enormous change in the cost of production, and the amount yielded, as between the two metals? None of our opponents attempt to answer this. It refutes their theories, and shows that there is a "missing link;" this missing link is monetary law. French monetary law secured practical fixity of value as between the two metals, in spite of prodigious changes in their respective yield and their respective cost of production; and surely English, French and American law can do for them again what French law so beneficially did for seventy years. We have no

doubt it can, and England is the principal Power that stands in the way, though she has vastly greater interests in the Silver-using countries of the world than has any other nation.

IV.—My opponent's last letter impales bi-metallists on one or other horn of this dilemma:—"Bi-metallists say the reduction of the quantity of a nation's money is the cause of immeasurable evils; and yet they propose to benefit India by the adoption of a system which we have shown will reduce the quantity of her money. Now, the reply to that statement is either that bi-metallists do not say so, or that the amount of money in India will not be reduced by the operation of their scheme; and we are entitled to have a clear, definite answer upon this point, because, if they do not say so, on what ground do they base their assertion that the Silver question is at the root of our present troubles?"

My reply is, that by far the greater mischief of the present state of things arises from the utter instability of exchangeable value as between Gold and Silver. I attach much more importance to that, than to the abstract question whether it be good for the world to have metallic money plentiful or scarce. I do not think it matters very greatly whether the business of England be carried on permanently on so many tons weight of Gold, or that of India on so many tons weight of Silver; but fixity of value, as between the two, is of the highest importance for a country like ours, which lives by trade, and most of whose trade is with Silver-using countries.

The French ratio enabled the English merchant to trade with Asia for seventy years, nearly as safely and well as if Asia had possessed Gold money, for he knew during all that long period that the Silver in which he was paid was equal, practically, to a certain amount of Gold in England. To all intents and purposes the world had identical money, and the immense growth of British commerce with Asia and South America was, in no small degree, owing to this. Very large amounts of capital were lent by England to those countries on the faith of this fixity, which never would have been lent had Silver fluctuated in relation to Gold as it has done of late years. The holders of the India rupee debt have learned to their cost what lending to a Silver-using country means, and the London market is closed to all such loans in future, unless the Silver of India is tied to the Gold of England again by law, as we contend can be done. The Oriental and other Eastern banks will no longer dare to lend their money to tea and coffee planters in India, repayable in rupees, after the lesson they have received. Unless we do something to unite Gold and Silver in the way which France did for so many years, a barrier of extreme difficulty is raised to that beneficial flow of capital abroad, which is the cause of much of our national wealth, and which has greatly fostered our home industries. If the demonetising process is to go on, Silver will be no more useful than iron, for exchange purposes with England; and what would be thought of any country bringing out a loan, with interest payable in iron? Of course it will be said that even countries

having iron for money could contract to pay interest in Gold, and sell enough iron to raise the Gold. The thing is possible; but is it likely that such a country would have much credit? Would it not be almost cut off from financial relations with civilised nations? We think it would, and therefore we believe that if Silver goes on depreciating we shall be forced, at whatever cost, to give India a Gold currency, and its Silver will then be almost deprived of value.

Now, the Silver held by India is of incalculable amount. The flow from Europe has been continuous for centuries. Most of it is probably held in the shape of ornaments, or hoarded. It is not improbable that India holds five hundred millions worth, in one shape or other. It represents, in fact, the great bulk of the exchangeable wealth possessed by the natives, for India is a very poor country, and has little floating capital except Silver. The final demonetisation of Silver would practically deprive the people of India of a great part of their savings for centuries. What we propose would restore it to its former value.

My opponent says that what we propose would rob the people of India of six millions sterling annually, because the rupee price of the produce she exports would fall so much. True, she would get fewer rupees, but the rupees would be worth so much more; so that the thing is as broad as it is long, so far as exports are concerned, and we add to the exchangeable value of the vast hoard of Silver she possesses perhaps one hundred millions sterling, or, rather, I should say, we prevent that steady

and continuous depreciation which will ultimately make it almost worthless.

I will wind up by comparing the trade which Great Britain has carried on with Silver-using countries up till 1873 to a vast traffic passing over a railroad, one part of which was painted yellow (Gold) and the other part white (Silver). At the point of junction there was a slight hitch, which caused a perceptible tremor as the wagons passed over it, but not enough to impede the traffic or cause sensible discomfort. This slight hitch was the imperfection of the French ratio, which permitted slight oscillations, and even these were only possible because England and India did not join her. But suddenly a huge break occurred; the white railroad sank several feet; the wagons could no longer run; the traffic was stopped, and great confusion occurred. Engineers were asked to lay down a bridge, and tried to do so, but the misfortune was that the rupture was constantly varying in size. One month it was ten feet, another twelve, another fifteen, and some predicted it would close up again by the action of natural laws, others that it would grow much worse. So no solid bridge could be laid down, and the traffic was carried on with great inconvenience by means of ropes and pulleys, and so forth. Furthermore, disputes sprang up whether the mischief arose from the white railroad sinking, or the yellow railroad rising, and many were so absorbed by that contention that they failed to see the evil that was done by the chasm. Others disputed whether the right way to remedy the matter was to raise the sunken part,

or lower the elevated part. Some said that vested interests would be interfered with if we "levelled up," others if we "levelled down," and between the two it seemed hopeless to get the rupture repaired. We say the great object is to get the road made level again—it matters little how; and if there are some casual or temporary interests benefited by the present confusion, such, for instance, as the people who work the ropes and pulleys, they ought not to weigh for a moment in comparison with the enormous advantage of a good road for traffic.

V.—From my opponent's last letter I am glad to see that he admits that the French fixed ratio had something to do with moderating the fluctuations between Gold and Silver up till 1873; but he attempts to minimise its influence as much as possible. He shows the repeated strains to which it was subjected, chiefly because England had to draw, at one time, vast quantities of Silver to remit to India, for which it paid France in Gold; and again, when these remittances were not wanted it sent back to France the surplus Silver it got from South America, and took Gold in return. Nothing could be more true than that the action of England and India combined strained the working of the French system to the point of tension, and also greatly embarrassed Germany, by causing her Silver currency to be melted down and sent to India, when there was a strong demand for that country, as during the Cotton Famine. But we beg to point out that these inconveniences would have

been avoided had England and India been bi-metallic as well as France.

Had England, on resuming specie payments after the great French War, done so on the old bi-metallic basis fixed by Sir Isaac Newton, and extended the same system to India, the flow of the precious metals between the West and East would have gone on smoothly. Either metal would have sufficed to pay international balances, whichever was most convenient would have been sent, and the friction would have been avoided that arose from the extreme awkwardness of having Gold the sole money of one part of the British Empire, and Silver of the other. Germany would, in that case, have adopted the bi-metallic system, to be in harmony with its great commercial neighbours, and the Americans, we know, have always been in favour of this system. England would, in fact, have fixed the civilised world in bi-metallism, just as her influence is drawing it now, more and more, to Gold alone. This question should be argued dispassionately, on the ground of the greatest good to the greatest number. Nations are now so intertwined together by commercial and financial ties, that they should aim at common monetary legislation, for there is no doubt that they can injure each other immensely by acting on selfish, isolated principles.

Germany, by her action, has probably cost England more than the whole value of the Gold currency she has acquired; but it was the English law passed in 1816 which sowed the seeds of the monetary change which Germany decided upon in 1872.

Having suffered so much from isolated action in the past, we think the time has come for uniform monetary legislation in the future, and England, the greatest trader of the world, should lead the way.

VI.—It may be well to say something on the relation that human law holds to money. There is a deep-seated conviction that it is dangerous for legislation to tamper with the currency. People have before their minds the debased paper issues of Russia, Austria and Italy, and the depreciated paper which existed in the United States for so many years after their Civil War. Perceiving the evil that unprincipled, or bankrupt, Governments may commit by interfering with the currency laws of a country, there is a just and natural aversion to consider any scheme which seems to involve a change in the standard of value. This is a wholesome feeling, and springs out of the sturdy honesty of the British mind; but we hold that it is misplaced when directed against a sound and rational attempt to use both Gold and Silver as legal tender money. The object of this letter is to show that human law cannot be dispensed with in monetary matters, though it must be kept jealously within the province marked out for it by nature.

Sir Robert Peel used to ask of the "soft money" advocates, What is a pound sterling? and never could get an intelligible answer. The English law of 1816 decreed that a pound sterling should equal a fixed weight of Gold of standard fineness—in other words, the contents of the sovereign. This was a perfectly clear

definition, but it was the creation of British law. Prior to that period, during the suspension of specie payments by the Bank of England, the law decreed that the inconvertible bank note should represent the pound sterling, though it was at times depreciated 25 per cent. Again, the law decided at an earlier period—say during most of last century—that the pound sterling should be represented by a fixed weight of either Gold or Silver, being the ratio decided upon by Sir Isaac Newton, which was $15\frac{14}{78}$ of Silver to 1 of Gold, or about the same as the French ratio. It is true that towards the close of last century Gold became the metal generally employed, because the Silver coin was much worn and below its proper weight, but any debtor by coining Silver at full weight could discharge his debts in that metal if he chose. We therefore argue that if it was competent for English law to change the standard three times, within a century and a half, there would be nothing unprecedented, or revolutionary, in making another change, if cause for it were clearly shown.

Contracts in France are expressed in francs, and in India in rupees. These coins are the creation of law in the same manner as the pound sterling, and have undergone similar changes without the just imputation of wrong to the creditor. In all civilised countries human legislation has a certain function to perform in respect of money; but this function should be confined, as far as possible, to following the outlines traced by nature, and reducing these to system and order. This is what a well-considered bi-metallic scheme would do. Nature

has clearly marked out Gold and Silver as suitable for money. The science of metallurgy tells us that these metals are only found in thin veins which are easily exhausted, and there is not the least probability of a mountain of Silver being found, as some of our opponents suggest. These minute deposits of the precious metals are evidently placed in the earth for the purpose of serving as money, in the same way as the vast deposits of coal are suited to the purpose of fuel. The instinct of all barbarous tribes is to use these precious metals for signs of value, and just as civilisation extends, and legislation replaces the primitive instincts of mankind, Gold and Silver have alike been coined by Governments, and recognised as money.

We contend, therefore, that we have the prescription of nature and antiquity in our favour. We are attempting to utilise, in a scientific manner, the two great media of exchange which nature has provided. We are divided *toto cœlo* from the whole tribe of paper money advocates, with whom we have no sympathy. We would issue no bank notes but what are convertible into either Gold or Silver at a fixed ratio; and if that scheme will not find favour from imaginary fears that the so-called cheaper metal will supplant the dearer, we would agree that the issuing banks should give a certain specified proportion of both Gold and Silver in payment of their notes, so as to force all issuing banks to keep adequate reserves of both metals.

It is computed that the British Empire, including India, contains 300 to 400 millions sterling of Gold and

Silver money, of which more than half is Silver. France is thought to have about 300 millions, of which about 200 millions are Gold, and 100 millions Silver. These two nations contain nearly half the metallic money in the world. If the United States joined them they would contain more than half, and if Germany could be persuaded to join them they would contain nearly two-thirds of the money of the world. The remaining portion is scattered in minute amounts among a vast number of poor countries, most of which have depreciated paper currencies. The monetary influence of these poor countries is *nil*, and any agreement come to by the four wealthy nations would give law to the world. We think three of them would be quite sufficient, in case Germany held aloof, but it seems more than likely that Germany would ultimately enter the bi-metallic compact, for she would have great and obvious advantages in doing so. She has still a large internal Silver circulation, which is full legal tender at the old ratio of $15\frac{1}{2}$ to 1 of Gold, and it would suit her very well to retain this, if she found that Silver was to be reinstated in its old position as full-valued money.

As to the objection that Silver is too bulky an article to be easily transferred, the difficulty might be got over by limiting the tender, in specie, to small sums, as between man and man, but making the notes, based upon either Silver or Gold, full legal tender, just as bank notes based on Gold alone are at present. The practical difficulties might surely be surmounted if it were found that the theory was sound.

The great objects gained by a bi-metallic compact may be summarised as follows :—

1. All the Gold and Silver in the world would be fully utilised, and all the future products of the mines.

2. Commercial and financial intercourse would go on between all countries using either, or both, metals as easily as if they all used one metal alone; in other words, the world would have identical money.

3. The partial confiscation of all debts payable in Silver, and the artificial enhancement of all debts payable in Gold, would be arrested, to the great advantage of honesty and good faith as between man and man.

VII.—I should like to reply to the following statement :—"The following table will show conclusively that up to the end of 1871, when the German Gold coinage commenced, the price of Silver was maintained by the ordinary law of supply and demand, and not, as bi-metallists would have us believe, by the action of France. It will be seen that between 1852 and 1871, inclusive, the total production of Silver was £183,200,000, and that India took £180,700,000, that is to say, the demand was fully equal to the supply. Between 1872 and 1878, inclusive, the production was £90,700,000, and India only took £50,300,000, a sufficient reason for a fall in price, without reference either to the German re-coinage, or the suspension of the operations of the Latin Union, although it will be seen that the German sales raised the total supply to £124,300,000."

This seems very plausible on the face of it, but is, I

believe, wholly fallacious reasoning. The best way to show this is to apply the same argument to the years before 1852. We learn from Mr. Patterson's interesting article in the *Contemporary Review* on the movements of the precious metals, that the amount of Silver absorbed by India between 1834 and 1852 was twenty-nine millions sterling; the yield of the Silver mines for the later years of that period is given as £8,000,000 a year. I have no figures before me for the earlier years, but the average of the nineteen years could not be less than £6,000,000 a year, say a total of £114,000,000. Now, as India only took £29,000,000, there remained over a "surplus" of £85,000,000, which, on the reasoning of my opponent, must have very much depressed the price of Silver. But a reference to the same table he quotes will show that it had scarcely a perceptible effect, Gold and Silver exchanging within a fraction of the French ratio of 15½ to 1.

If it be true that a surplus of £40,000,000 of Silver beyond what India wanted in 1872-8 caused a fall of 20 per cent, how comes it that a surplus of £85,000,000 in 1834-52 had no such effect? The answer is so obvious that it puzzles one to comprehend how any person can overlook it. The mints of France and Germany were open to coin all the Silver presented in 1834 to 1852, so it mattered nothing to the holders of Silver bullion whether India wanted it or not. They could always dispose of it across the Channel. There could be no such thing as a "surplus" stock of Silver on hand; but in 1872-8 this outlet was closed, at least after 1874, and so

the Silver that came to London had scarcely any outlet except India, and when that market was supplied the price fell immensely.

Nothing can be clearer than that if the French and German mints had gone on coining all the Silver offered them, this "surplus" of forty millions which accrued in 1872-8 would have disappeared in the same way as the "surplus" of eighty-five millions in 1834-52; that is to say, we should never have heard anything about it. The fact is, the currents of the precious metals are determined mainly, we might almost say exclusively, by human laws. The stream of Silver used to flow from the mining countries towards Europe like the Gulf Stream, and then divided into two main currents, one of which went to Asia, the other to the Silver-using countries of the Continent; but those countries having almost ceased to coin Silver, the stream finds no adequate outlet, as Asia cannot absorb it all, and a kind of congestion has occurred. If England had given India a bi-metallic currency for the period that my opponent reviews, instead of sending her one hundred and eighty millions of Silver, we should probably have sent her ninety millions of Gold, and ninety millions of Silver. If we had given her a Gold currency alone the stream that set eastwards would have been wholly, or mainly, a Golden one. "Natural laws" have hardly anything to do with the movements of the precious metals; human laws have nearly everything to do with them; and those who ignore the latter will land themselves in endless fallacies when they reason from statistics.

Suppose for a moment that we are dealing with Gold, not Silver, and that two great nations demonetised Gold, or at least ceased to coin it. Suppose that England did with Gold what Germany has done with Silver, and that France in self-defence refused to coin Gold. Is it not perfectly plain that Gold would fall rapidly in relation to Silver? Is there any person who would deny that for a moment, or would anyone in this country commit the mistake of attributing the fall to mere natural laws? It would be self-evident to everyone that the action of England in selling off its Gold, and replacing it with Silver, and the action of France in ceasing to coin any more Gold, was the sole cause of the fall of Gold, and the rise of Silver. No amount of verbiage about the yield of the mines, or the cost of production, would blind them to the real cause, viz. a change in human laws. Yet how difficult is it to get people to see the same thing when applied to Silver; but the cases are exactly parallel: human law affects the value of the one metal as well as the other, and determines the currents of both alike.

Let me close with an illustration. We know that spinners of cotton use indifferently American or Surat, whichever is cheaper or more suitable, and the American and Indian crops find their way in varying proportions to England and the Continent, based upon the relative demand for each; but if the Governments on the Continent made a law that no spinners should use American cotton, and our Government made a law that no English spinners should use Surats, would not the

distribution of the crops be immediately changed? The American cotton would all come to England, and Surat cotton all go to the Continent; and what should we think if, after some years, writers on political economy declared that these movements were caused merely by "the laws of supply and demand," that fabrics made of Surats suited the tastes of Continental consumers, and fabrics made of American suited the English taste? Should we not say that such reasoning was absurd? So it seems to me are all arguments about the value and movements of the precious metals which ignore the barriers which human laws set up, thereby stopping the natural flow of the metals, and preventing their equable diffusion over the civilised world.

GOLD AND SILVER

AND THE

DEPRESSION OF TRADE.

I have given notice of the following motion in the House of Commons, which will, I anticipate, receive the support of the manufacturing and commercial interests of Lancashire:—

> Gold and Silver.—That a Select Committee be appointed to inquire into the present relative position of Gold and Silver in their uses as money throughout the world; whether the present depression of trade and low prices are in any way connected with, or caused by, the appreciation of our Gold standard; how far such appreciation, should it be shown to exist, results from the displacement of Silver money over large areas; and whether, or how far, this evil admits of a remedy.

It may not be possible to make progress with this Committee during the present session, but the notice will keep the matter before the public, and it is quite possible that the Government, in appointing a Royal Commission to inquire into the depression of trade, may specially direct it to take up this question, in which case my motion will have served its purpose.

My present object is to show the grounds upon which I think such an inquiry is desirable. I shall take as my starting point the remarkable Parliamentary paper issued recently by the Board of Trade upon the fall in prices, drawn up by Mr. Giffen, coupled with an interesting article by the same gentleman in the June number of the *Contemporary Review.* Mr. Giffen there very clearly shows that the leading feature in the present depression of trade is the remarkable fall in prices. By various tables he proves that for several years past there has been a downward tendency, corresponding with the upward tendency which prevailed for some twenty years after Free Trade was adopted by this country and the Gold mines of California and Australia were discovered. This fact is still more forcibly brought out in the Parliamentary paper to which I have referred. It proves that the money value of our exports has declined to so extraordinary an extent in the ten years between 1873 and 1883 that, in spite of a vast increase in the quantity exported, the total value was only £240,000,000 sterling in 1883, against £255,000,000 in 1873. It then shows by a further calculation that if the same prices had ruled in 1883 as in 1873 the value would have been 349 millions in place of 240 millions. Had the tables been continued down to the present year the discrepancy would be still more remarkable. A further fall in prices has occurred, the total value of exports this year (1885) will probably not exceed 220 millions, while the quantity will probably be as large as in 1883; so that the comparison will stand at 220 millions against 349 millions, had prices

remained at the level of 1873. In other words, the average price of our products has declined 37 per cent in the last twelve years.

From these data Mr. Giffen argues, as I think rightly, that the fall is closely connected with, and partly caused by, the marked decrease in the production of Gold which has taken place of late years, say from thirty millions to less than nineteen millions per annum ; and he draws the conclusion, in which most of us will agree, that Gold is becoming appreciated, and that the fall in prices is but another way of saying that the purchasing power of Gold has increased. There are some who deny this, upon the ground that "money was never so cheap as now," to use the parlance of the market. It is true that "the rate of interest was never lower," and in that sense the very inaccurate phrase "cheap money" is quite true. But all monetary authorities know well that the two things are quite distinct. The rate for the use of capital and the purchasing power of Gold are wholly different things. The former varies with the state of credit, the activity of trade, &c. and would do so whether the purchasing power of Gold were great or small. I suspect the fluctuations of interest were much the same in the fifteenth century, when a cow sold for 30s, and wheat at 12s per quarter, as they are now, and if we again return to as low prices in the twentieth century, the fluctuations in interest—*i.e.* the hire of capital—will be much the same as in the nineteenth century. Indeed a fall in prices has a tendency to keep down the rate of interest, as it causes much distress, and a want of confidence among the

commercial classes; hence unused capital accumulates, and the curious phenomenon is witnessed of the value of money, *i.e.* its purchasing power, increasing while the rate of interest declines.

People may differ as to the extent of this movement, but I think it fair to conclude that the average buying power of Gold is now at least 20 per cent more than it was twenty years ago, and somewhat higher than it was even from 1840 to 1850. Mr. Giffen does not hold that this increase of value is of any material importance to the industry of the country, and he contemplates without misgiving the continuance of the process for many years to come. Indeed, so far as I can judge from his paper, he would not think it disadvantageous if prices fell another 20 or even 50 per cent, through the further appreciation of the medium of exchange.

It is here that I entirely differ from him, and from all his school of thought. The writers of this school treat the nation as if it were an individual, and unless you can show that the national wealth as a whole is curtailed, they will not admit that any harm is done. They hold, justly enough, that if the nominal valuation of the wealth of a country is reduced by the increased value of the standard by which it is measured, there is no change in reality. If, for instance, the capital value of the wealth of Great Britain was reckoned as 8,000 millions sterling, while the pound sterling was of a certain value, and afterwards reckoned as only 6,000 millions because the pound had increased in purchasing power by one-third, they would hold, and rightly so, that the real

wealth was unchanged. They, therefore, regard with equanimity all changes in the purchasing power of Gold, and reject all schemes like those of the bi-metallists, whose object is to give greater stability to the standard of value. I venture to think that a fatal error underlies this reasoning. The community is not an entity, but an aggregation of classes having interests often widely opposed. For the purpose of this argument it may be divided roughly into the two classes of debtors and creditors. One portion of the community borrows money for the purposes of reproductive industry, or for other objects, while the other portion lends it. In an old commercial country like this the amount of capital thus transferred is enormous. Indeed a great part of the wealth of the nation, probably the greater part of its floating capital, is so employed. The bank deposits of this country are supposed to be some 500 millions sterling, and these deposits are mostly lent to traders. Vast sums of money are lent on mortgages, life insurance policies, &c. I have seen it stated that the land of Great Britain is mortgaged to the amount of 400 millions sterling. The prodigious bonded debt of railways, canals, corporations, and industrial companies of all kinds is well known. To this ought to be added the National Debt, which is just a huge mortgage on the property and industry of this country, entailing an annual charge, including sinking fund, of twenty-eight millions a year. I have never seen an estimate of the annual interest of this gigantic amount of loaned capital, but it is probably nearer 150 millions annually than 100 millions. Now

this is a very heavy charge upon the industry of a country. This interest must be met before wages can be paid, or profits divided; yet it is a lawful charge, and the debtors have no right to evade the obligation by tampering with the currency, by the issue, for example, of inconvertible paper. On the other hand, the creditor class has no right to make it more burdensome, as for instance by refusing to use Silver as money, and so increasing the purchasing value of Gold.

What every honest man should aim at is stability in the standard of value, so that debtors shall not be obliged to pay more than they stipulated, nor creditors compelled to take less. Now what is actually happening in England, and in all other countries having a Gold standard, is just this—the debtor class is paying the creditor class much more than it intended to do when the debts were contracted. The landlords, for instance, who borrowed the 400 millions on their property agreeing to pay, let us say, sixteen millions a year of interest at 4 per cent, supposing that it represented say one-fourth of their rents, now find, owing to the fall of prices, that it represents one-third, or even in some cases one-half, of their rents. The factory-owner, the mine-owner, the ship-owner, who thought it safe twenty years ago to borrow half the value of his plant in order to find active capital for his business, now finds that the mortgagee is the virtual owner. Nearly all the profits go to pay his claims, and in many cases he has foreclosed and sold up the unhappy borrower, ruined through no fault of his own, but solely through the extraordinary

sinking of prices. Speaking with reference to the manufacturing industry of Lancashire, with which I am best acquainted, I assert that the money value of the "plant" is probably 25 per cent less than it was ten or twenty years ago, taking it spindle by spindle and loom by loom. Ship property and many other kinds are depreciated still more, and as a matter of fact I believe that if all the fixed capital engaged in trade in England could be valued to-day at its real selling price, it would be found that it would do little more than pay the mortgages and debts upon it.

So far from this being a matter of indifference to the country, as Mr. Giffen thinks, I hold that it is a great calamity and a cruel hardship. The productive classes of the community, who are far the most valuable, are being robbed for the benefit of the lending capitalist class—a class who live upon the interest of their loans. I believe no greater misfortune could befall an industrious nation than to defraud the productive class of its due share of reward in order to over-pay the unproductive class.

Mr. Giffen, and those who think with him, will reply that no one is responsible for this growing appreciation of Gold, as it arises from natural causes, namely, the decreased productiveness of the mines; and the debtor class who suffer by it must bear it as best they can. I should agree with this view if it were true that natural causes alone had to do with it, but I hold that artificial causes—that is, the acts of human Governments—have much to do with it. Mr. Giffen states that one of the

chief causes of the appreciation of Gold was the absorption by Germany of about eighty millions sterling to fill up the void caused by the demonetisation of Silver. Mr. Giffen is aware that, prior to that time, Gold and Silver circulated all over the world at virtually a fixed ratio, say of $15\frac{1}{2}$ to 1, caused by the existence of that ratio at the French Mint, which coined all the Gold and Silver offered to it at that rate. To all intents and purposes Silver was as fully the money of the world as Gold. Some countries measured values by the one metal, some by the other, and some, like France, by a standard composed of both metals, that is, the bi-metallic system. The metallic medium of the world was supposed to be about 1,500 millions sterling, of which half was Gold and half Silver. The buying power of the one was affected by the buying power of the other, just as truly as the value of the wheat of England is determined by that of the wheat of Russia or California.

It is vain to reply that England used Gold alone as full-valued money since she resumed specie payments in 1821, and therefore cannot be affected by the action of France, Germany and other countries. We might just as well hold that when the wheat crops failed on the Continent it could not affect prices here. No one who knows anything of monetary science will deny that the demonetisation of Silver in Germany, and elsewhere, and its replacement by Gold, has done much to raise the purchasing power of Gold and reduce that of Silver. The one metal has risen, say 20 per cent, in relation to the other, mainly as a result of this cause. In every

country where the Gold standard reigns the debtor class has been fined say 20 per cent, as compared with the country in which the Silver standard exists. If the process goes on, and there is every reason to believe that it will, unless the leading nations revive the bi-metallic system, we may expect one country after another, which now uses Silver, to discard it, thereby increasing the pressure upon Gold and lowering the general scale of prices.

There is every reason to believe that the United States, if we obstinately refuse to join them in re-establishing the bi-metallic system, will cease coining Silver, and may possibly sell off the large stock of Silver dollars they now hold in the vaults of the Treasury. In that case they would be followed sooner or later by France, which still holds a heavy stock of Silver. The value of the rupee would then probably decline to 1s or less, and we should be compelled to give India a Gold currency in order to escape these ruinous fluctuations of exchange. India is believed to have in circulation 200 millions sterling of Silver. I leave your readers to imagine what sort of monetary cataclysm would arise from filling up that abyss with Gold.

No doubt Mr. Giffen's prophecies of a further continuous fall of prices would be more than realised. We might see next century wheat selling at 15s or 20s per quarter, as it did three centuries ago, and the wages of labour reduced to half what they now are. But what will be the cost of this transition? We should have rendered bankrupt a great part of the industrial community.

The creditor class would have virtually got 40s in the pound, national debts would have doubled in weight, tariffs would everywhere be raised to meet the shrinkage of prices, and the advent of Free Trade would be relegated to the limbo of buried hopes. It is difficult to picture the misery that would be caused by this shifting of the burden from the unproductive to the productive portion of the community. It would certainly give an astonishing stimulus to the growth of Socialism. Large sections of the community would be plunged into poverty through no fault of their own, and it is more than likely that grave social disorders would arise. I can conceive of a man saying that the appreciation of Gold caused by the disuse of Silver is a misfortune that cannot be helped, and that we must bear it as we would famine or pestilence; but one cannot conceive of a thoughtful man saying that it is wholly immaterial, and that even if it can be remedied by legislation it is not worth while trying to provide against it.

A very apt illustration of the danger arising from the heavy fall of prices is seen in the condition of Ireland. A vast agrarian experiment has taken place there. We have enabled a large proportion of the peasantry to obtain "fair rents," fixed by judicial authority for fifteen years. We hoped that this generous legislation would lay the foundation of a happier social system for the future, and bring back contentment and prosperity to regions where they had been long unknown. Now it appears that a grave danger threatens to mar the success of this experiment; the fall in prices during the last two years has been so

heavy that already loud complaints are heard that the judicial rents are too high, and cannot be paid. There is too much ground to fear that if the downward tendency of prices continues we shall be confronted with a fresh Irish agitation, and a demand for a further reduction of rents. Conceive in what a position our Government would then be placed? Rents have been fixed for fifteen years by a court of law, to the judgment of which both landlord and tenant have submitted themselves. The court has in most cases reduced rents already by 20 per cent, and the State has given its solemn sanction to this solution of a long and envenomed controversy. Can it allow its decision to be reopened without unsettling the very foundations of justice? It is clear that nothing but a national convulsion could render such a step possible.

But should the appreciation of Gold steadily continue, as Mr. Giffen predicts, and prices continuously fall, the position of the Irish peasantry would be a cruel one; they might justly complain that the basis upon which their rents were fixed had passed away, and that they were obliged to pay the same amount of money although its intrinsic value had become higher. Certain it is that no peaceful settlement of Ireland could take place under such a state of things. There would be ever-recurring attempts to force down rents by agrarian conspiracy; and, however great might be the reluctance of the Imperial Parliament, fresh legislation would be unavoidable.

No case could better illustrate the evil of a change in the standard of value. The inconvenience and injustice are very much the same as if the measures of length,

weight, and capacity were always altering; as if the foot at one time had 12 inches, then 11, 10, or 9; or, as if all purchases expressed in yards, acres, &c. were variable quantities, so that a buyer at one time received 20 per cent more than at another. In such cases the confusion would be so intolerable that we can hardly conceive of civilised society co-existing with it; but the suffering is hardly less from rapid changes in the standard of value, though it is veiled from common observation by the subtlety of its operation, and by the difficulty of separating this from the other causes that affect prices.

There is one other consideration of great weight to which I would briefly allude—the injurious effect of the fluctuating exchange on our trade with the Silver-using countries of the world. Prior to 1873 the exchange was so steady that, practically speaking, our trade went on as smoothly with India, China, and South America as if we had identical money. Goods when sold for Silver rupees, or dollars, were convertible into sterling as well as if sold for Gold coin. Great transfers of capital took place between Gold-using and Silver-using countries without inconvenience, nor was any apprehension felt by the lender that interest payable in Silver money was insecure. When the Rupee Debt of India was borrowed in this country the British investor did not contemplate that he would be mulcted 20 per cent of his interest through a fall in Silver. No one can tell how much the trade of this country benefited by the practical assimilation of the Gold to the Silver currencies of the world up to 1872.

During the long period that elapsed from the beginning of the last century to 1872 Gold and Silver scarcely ever varied in ratio more than from 15 of Silver to 1 of Gold to $15\frac{1}{2}$ to $15\frac{3}{4}$ of Silver to 1 of Gold; now it is 19 of Silver to 1 of Gold. The bi-metallic system reigned substantially throughout the world, and it was not affected by the most astonishing variations in the respective yield of the metals from the mines. There were periods within this century during which the yield of Gold was only three millions sterling yearly, and others in which it was over thirty millions, while the production of Silver ranged from six millions sterling to sixteen millions, but the ratio between the metals was not affected.

According to the late Ernest Seyd, one of our ablest statists, the weight of the two metals annually produced was as 50 of Silver to 1 of Gold at the beginning of this century, while from 1850 to 1860 it was $4\frac{1}{3}$ of Silver to 1 of Gold, yet the ratio between the metals remained unaltered, because the bi-metallic system of France was in full operation. It is impossible to estimate how much the trade of this country was benefited by this stability. It would hardly have been possible to have developed India as we have done had exchange been as uncertain as of late years; indeed, it is certain that unless something be done to restore its stability, capital will in future not flow to India with anything like the confidence of heretofore. Our trade with the Silver-using countries of the world is suffering severely from the dislocation that has taken place between the precious metals. No small part

of the present depression is owing to this, as Mr. Goschen pointed out in his recent address at Manchester, and I hope that the testimony of so great an authority to the importance of the Silver question will cause attention to be directed anew to the arguments of the bi-metallists.

The main contention of those who hold this view is that the "double money" provides a more stable standard than the single. Nature has so provided that alternate discoveries are usually made of Gold and Silver mines—the one metal is complementary to the other. Mankind has always used them both as money, and why should it now be attempted for the first time in human history to discard one of them? The reply we generally receive from our opponents is that no national convention can fix a permanent rate of exchange between two metals which are constantly varying in the rate and cost of production. They hold that the recent dislocation in value is mainly the result of increased supplies of Silver, and decreased supplies of Gold. They refuse to look at the undoubted fact that we had practically a fixed ratio of 15½ to 1 for the first seventy years of this century, when the most extreme variations in the supply of the precious metals took place that ever were known. Silver was produced to three times the value of Gold in the early part of this century; while after the Gold mines of Australia and California were discovered Gold was produced to three times the value of Silver; yet the exchangeable value of the two metals remained the same. Had the argument of our opponents been right, Gold should have fallen at least one-half in relation to Silver.

Why, then, did it not fall? Simply because the bi-metallic system of France was in full operation, and all the Gold and Silver that came from the mines could be coined there at a fixed ratio, and that naturally fixed the ratio for the whole world. Had the bi-metallic system then been abandoned we should have seen Gold decline in relation to Silver just as Silver has recently declined in relation to Gold. We should have heard the cry that Gold should be demonetised as the more variable metal, and Silver made the sole standard as the more trustworthy; which indeed M. Chevalier at one time proposed. The fact is, the use of the terms supply and demand, cost of production, &c. is quite deceptive as applied to money. The demand for money is largely the result of human law. So long as the mint coins Gold, without limit, there is an unlimited demand for it; so long as it coins Silver, there is an unlimited demand for it. So long as both metals are coined without limit, and they are made a legal tender at a fixed ratio, there is an unlimited demand for them both at that ratio. Nothing can be more clearly demonstrable than that if the leading nations of the world were to do what France did for seventy years—declare both Gold and Silver legal tender at a fixed ratio, that ratio would obtain throughout the world, and neither metal would ever be cheaper or dearer than the other, no matter how great were the fluctuations in the relative supply. The precious metals derive their value from their use as money, and money is, in the main, the creation of law. If all the leading nations were to demonetise Gold, its value would fall immensely, and that of Silver

would rise correspondingly if it were adopted as the sole standard. The opposite to this is now happening, because Silver is being demonetised, and Gold is gradually taking its place. The bi-metallists hold that the just and philosophical plan is to use both metals as full-valued money, at a fixed ratio, as the world did from time immemorial until the crusade against Silver commenced thirteen years ago. But this most desirable consummation can no longer be attained by isolated action. No country will dare to undertake the task single-handed as France once did.

It must be a league or convention like the Latin League, upon a larger scale. It ought to be widely known that it is only the opposition of this country which stands in the way of such a league. We, who of all nations suffer most from this monetary dislocation, are the people who stupidly oppose an arrangement that would render such a dislocation impossible. The American delegates came to the last Conference in Paris charged with a scheme of international bi-metallism. France and Germany were ready to accept it, but our refusal caused the abandonment of a scheme fraught with advantage to the whole human race. Every year that passes makes it more difficult to re-open the question, and it now seems doubtful whether anything except intense suffering will change the obstinate prejudice of our capitalist class in favour of a single Gold standard. The banking interest in the metropolis apparently profits by the existing system, which constantly adds to the purchasing power of its capital, but other interests far

larger and far more essential to the well-being of society are suffering cruelly. It remains to be seen whether they will continue to suffer silently and to permit a monetary revolution to take place, which will redistribute wealth on a wider scale and in a more unjust manner than any political revolution in modern times.

WESTMINSTER, 17*th July*, 1885.

QUESTIONS

ON THE SUBJECT OF

CURRENCY AND PRICES,

CIRCULATED BY THE ROYAL COMMISSION ON THE DEPRESSION OF TRADE AND INDUSTRY.

1. Has there been, within a period which can be distinctly defined, a fall (i.) in the Gold prices, or (ii.) in the Silver prices, of commodities in countries where those metals are respectively the standards of value?

2. If so, has the fall extended uniformly to all commodities, or has it been confined to some particular class or classes of commodities?

3. Apart from any circumstances which have tended to lower the price of particular commodities, or of commodities generally, are there any circumstances which have enhanced the value of the metal used as the standard?

4. Have similar circumstances ever occurred before, and what results did they produce?

5. To what causes do you assign the fluctuations which have occurred in recent years in the ratio of the precious metals to one another?

6. Are there any indications that the development of the credit system, or other similar means of economising the use of the precious metals, has tended to counteract or retard the fall of prices?

7. What circumstances, apart from an appreciation of the metal used as the standard, have tended to bring about a fall of prices generally?

8. How is trade affected by alterations (i.) in the value of the metal used as the standard, and (ii.) in the value of the precious metals *inter se*, especially in the case of trade between Gold-using and Silver-using countries?

9. What is the effect of the present relations of Gold and Silver upon the internal and external trade of India, and upon prices in that country?

ANSWERS.

WESTMINSTER, 13*th May*, 1886.

MY LORD,

I subjoin the following answers to the questions issued by the Royal Commission on the Depression of Trade, touching the effect of recent monetary changes.

The subject has engaged my closest attention for ten years at least; it is nearly that time since I appeared on a deputation from the Liverpool Chamber of Commerce, and submitted to the then Chancellor of the Exchequer, Sir Stafford Northcote, a petition in favour of establishing, by international agreement, the old bi-metallic system of Europe, the breach of which has, in my judgment, been a chief cause of the prolonged depression of trade from which we are suffering.

I.—There has been since 1873 (the year of the demonetisation of Silver) a continuous fall in the price of almost every commodity produced in this country, amounting to nearly 40 per cent on the average. I believe that £100 now will go as far in purchasing almost every article in the wholesale market as £150 to £160 would have done in the year 1873. This applies not only to articles of merchandise commonly so called, but to real estate, such as house property, land, &c.

The same phenomenon applies to all countries having a Gold currency, notably to the United States, France and Belgium, and is a chief cause of the labour troubles in those countries.

In Silver-using countries there is much less change in prices. I travelled through India this past winter, and made frequent inquiries on the subject, and was assured that in the interior of the country there was very little change in the purchasing power of the rupee, as compared with former years; the inference appears to be that the alteration in the value of the precious metals is rather an appreciation of Gold than a depreciation of Silver.

II.—Practically, as far as I know, the fall has affected all commodities; some, of course, are more affected than others by special circumstances.

III.—There can be no doubt to my mind that Gold has been largely enhanced in value since the demonetisation of Silver commenced (1) by the cessation of the free use and coinage of Silver as full valued money over the greater part of Europe, and the increased strain thus thrown on Gold, and (2) by the great decrease in the yield of the Gold mines, now reckoned at only eighteen millions a-year, instead of thirty to thirty-six millions annually as it was for some years after the discovery of the Australian and Californian mines; it is estimated that of the eighteen millions sterling of Gold now annually produced some ten or twelve millions are used in the

arts, so that only six or eight millions remain for the use of commerce; of this four to five millions go to India annually, and the remainder is chiefly absorbed by the coinage of the Gold-producing countries, so that practically little is now available for the increase of the stock in Europe.

If the Commission will get returns of the coinage of the various mints of Europe since 1873 and compare it with that of the period of 1850 to 1873 (a time of rising prices and great prosperity) they will find a remarkable decrease, especially if they take into account that the Gold coinage of Germany does little more than replace the Silver that was demonetised, and which left Europe for the East, as there was no longer a market for it in Europe.

Speaking broadly, I believe the question to be this: up till 1873 the Gold and Silver bullion produced in the world flowed into Europe, and was coined equally into money, and performed exactly the same functions; since 1873 Silver has virtually been excluded from the mints of the great commercial nations of Europe, and the Gold supply has also greatly fallen off. The necessary result is that, instead of that steady replenishment of the currencies which the growing needs of commerce require, there is a diminution of supply, causing contraction and a fall of prices.

The result is analogous to that which took place after the resumption of specie payments was decided on in 1816, which produced many years of falling prices, and great depression and suffering among the masses of the people.

IV.—The main instance of a similar effect was, as just stated, in the period from 1816 (when resumption in Gold was decided upon) up till 1848; that was a period of very small yield from the mines, and of very low prices, though the average is now lower than at any time during that period.

I understand that in the Middle Ages and up to the discovery of the South American mines in the sixteenth century there was over this period a very small yield of the mines, and a gradual increase in the value of the precious metals; it was a time of great poverty and industrial decay, and the material condition of mankind became worse than it was during the height of the Roman Empire, when a large amount of the precious metals was in circulation.

After the discovery of the mines of Potosi in the sixteenth century there was a gradual rise of prices causing a renewal of commercial enterprise and a great advance in the material condition of Europe. I believe it will be found that, in almost every instance, the periods of industrial prosperity have coincided with a full supply of the precious metals and a general advance in the prices of commodities.

V.—I assign the decline in the ratio of Silver to Gold entirely to the policy of demonetisation. Had the old bi-metallic system of the Latin Union been continued, and had Germany not demonetised Silver, we should have to-day the ratio of 15½ to 1, just as we had it during the first seventy years of this century.

There is nothing in the increased production of Silver to account for the change of ratio. Far greater changes took place in the relative production of the two metals during the first seventy years of the century without affecting the ratio of $15\frac{1}{2}$ to 1, at which the French Government coined each metal without limit. At one time the Silver produced was three times the value of the Gold—early in this century—then, after the discoveries in California and Australia, the production of Gold became three or four times the value of the production of Silver, yet the ratio remained unchanged; the greatest fluctuations in the Silver market in London were practically from 59d to 62d per ounce. If the theory be true that the ratio of value depends mainly upon the respective supplies from the mines, Gold should have fallen far more in comparison with Silver after 1850 than Silver has recently done in comparison with Gold, but it did not so fall, for the bi-metallic system of France and the Latin Union practically kept the metals at a fixed ratio, to the immense advantage of international commerce.

The same system would, very easily, keep the precious metals at the same ratio now, for their respective yield has rarely been so nearly equal as it is now, say eighteen millions of Gold to twenty-two of Silver, whilst, in this century, we have had two millions of Gold to six of Silver—again, thirty-six of Gold to eight of Silver—and yet the ratio was unaffected. How much easier now to keep the ratio fixed when the yield of the two metals is so nearly equal!

It is entirely a question of monetary policy; if Gold were to be demonetised it would fall just as Silver has done; had Europe acted towards Gold, after the discoveries of California and Australia, as it has recently acted towards Silver, we should have had Silver going up to 80d or 90d per ounce, and the ratio becoming 10 to 1, or thereabouts, as it was in the Middle Ages.

The question of ratio is essentially one of monetary law, and was virtually fixed for two hundred years at a point little varying from the French ratio of $15\frac{1}{2}$ to 1, at which it would have stood to-day had the policy of Europe remained as it was prior to 1873.

VI.—I do not think that the development of the credit system has had any material effect on the fall in prices; the London clearings have fallen off of late years. Credit may be said to be at an unusually low ebb in most countries at present. The long continued depression, and constant fall of prices, have discouraged enterprise, and there has hardly ever been a time when speculative activity has been so dormant; the very low rate of interest is a proof of the deadness of trade; indeed, as prices fall, and Gold appreciates, the interest of capital is always low, because people are afraid of borrowing; hence what is called "cheap money," or a low rate of interest, is usually co-existent with an increased purchasing power of the standard of value; and money accumulates in banks because the commercial public cannot use it profitably.

VII.—No doubt other circumstances have co-operated to bring about the remarkable fall of prices that has occurred; increasing cheapness of production, caused by improvements of machinery; greatly reduced rates of ocean freight; the opening up of new sources of food supply in America and India; the diminution of all intermediate profits from the severity of competition; these, and other circumstances, have tended to force prices down. Yet we must remember that all these influences were at work in the period 1850 to 1873, when prices rose, on the average, 40 per cent, owing mainly, I believe, to the increase of Gold production; and I cannot doubt that, if the supply of the precious metals had continued as large since then, and had been used by the world as unreservedly, we should have seen comparatively little decline in prices. It is difficult to measure the respective influence of the two agents in causing the decline, but I lean to the opinion that of the 40 per cent decline, or thereabouts, since 1873, one half may be put to the appreciation of the Gold standard, and the other half to the various causes to which I have alluded.

VIII.—Trade is very greatly and injuriously affected by a sudden alteration in the standard of value, especially when the alteration is, as now, towards increased value.

It arises in this way. Trade is largely carried on by borrowed capital, or, in other words, by the use of credit in some shape or another; the vast banking deposits are mostly lent to traders, a very great deal of the invested

capital of this country is lent upon mortgage of trading property, such as ships, factories, warehouses, &c. A prudent trader usually considers it safe to trade considerably beyond his floating capital, and to borrow, say, 50 per cent on the security of his plant or fixed capital. Now the constant decline of prices the last few years has virtually swept away his own portion of the capital, and only left him enough to pay the loans and mortgages; for instance, a ship or a factory built at a cost of £20,000, of which £10,000 was borrowed, is now worth only £12,000, or 40 per cent less, and so the mortgage now represents five sixths of the value instead of half, the trader's interest having sunk to £2,000 in place of £10,000; probably, if trade is unprofitable, he fails to pay the interest, and the mortgage is foreclosed, and the property is forced off at just sufficient to cover the loan, and he is ruined. I have no doubt that this process exactly describes the condition of vast numbers of the traders of this country, and of other countries having a Gold standard. A great portion of the commercial capital of this country has silently passed into the hands of the mortgagees and bondholders, who have neither "toiled nor spun;" the discouragement this state of things produces is intense; after it has gone on for several years a kind of hopelessness oppresses the commercial community, all enterprise comes to a standstill, many works are closed, labour is thrown out of employment, and great distress is felt both among labourers and the humbler middle class; indeed, it strikes higher than this, for multitudes of people who were once prosperous traders

have now become dependent on charity. I know many such myself; indeed but a small portion of those who were prosperous ten or fifteen years ago are well off now.

The land-owning class suffers equally; while rents have fallen 30 per cent, and the selling value of the land perhaps more, the money value of mortgages remains the same; and a large portion of the landed property of Great Britain, and, I believe, most of the landed property of Ireland, is virtually the property of the mortgagees.

No one can tell the extent to which the great change in the standard of value has transferred the property of this country to the money-lending class. To this may be added the additional weight of the National Debt, and I have little doubt that in these various ways several hundred millions sterling have been unjustly taken from the more active and useful classes of the community, and transferred to the idle or unproductive class.

For some time the labourers do not suffer from this change, they rather benefit, for they get the same money wages, which go further in purchasing commodities, but sooner or later the inevitable rectification takes place. The workpeople do not comprehend this change in the value of money the way an employer does; it is too remote from their ordinary experience, and the employer appears to them a harsh tyrant, while he is merely complying with the imperious law of self-preservation; hence such periods are great provocatives of Socialism and class bitterness, as we see in the United States and Belgium just now, and also in this metropolis, where Socialism has greatly increased of late years.

It is a foolish reply to this that the aggregate wealth of the nation is not changed, because it is only a transfer from one class to another; one might as well say that the craft of the pickpocket or cardsharper is innocuous because it only transfers wealth from one pocket to another. The prosperity of the nation depends upon the just distribution of wealth, and the security of industry; nothing affects it more vitally than unjust alienation.

So much for the effect of a change in the internal standard of value. As to international trade between Gold and Silver-using countries, nothing could be worse for England than the present state of things. Very much of our trade is with Silver-using countries, and it is greatly harassed by these incessant changes in the price of Silver as compared with that of Gold; there is no longer anything approaching to a par of exchange between this country and India, China, and South America. Capital can no longer be invested with safety in Silver-using countries, for no one can tell what rate the rupee or the dollar will be at in a few years hence; it may be only half of what it is now; if matters go on, without any attempt to rehabilitate Silver, there will undoubtedly be a continuous decline, till the rupee may sink as low as 1s. Indeed, the time must come when India will require to have a Gold standard if this fatal tendency be not arrested, and that will mean the final overthrow of Silver, as a monetary agent, and a further great appreciation of Gold.

An immense hindrance is thus put in the way of investments in Silver-using countries. The bankers

engaged in the trade of India will testify to the truth of this. Now England is a country of redundant capital, and the Silver-using countries afford the best channels for investment; much of British trade has thus grown up, and this is now greatly retarded. Capital invested in those countries is usually remitted in the form of manufactured goods, such as iron rails, machinery, &c. and the cessation of this demand largely accounts for the deadness of the iron and coal trades.

Against all these circumstances the sole gain that I know of is the increased value of the interest that England derives from foreign investments payable in Gold; how much that is I do not know; it is probably but a small part of the sixty millions that England draws annually from foreign investments; much of these investments are in Silver-using countries; much is from international trade and from real estate, the profits of which would come to this country all the same whatever the currency of those countries might be. In a word, the gains are not to be weighed against the losses; and of all the countries in the world we are the one that suffers most from this monetary dislocation.

One more point I would add. This appreciation of Gold, with its corresponding decline in trade, throws the finances of all Gold-using countries into confusion; it leads to deficits and increased duties, and makes foreign tariffs more and more protective. India suffers in a somewhat different way, for she has to remit £15,000,000 in Gold to England annually and is now losing £4,000,000 a year in exchange, and may, in course of time, lose

£5,000,000 or £6,000,000, and find it almost impossible to carry out the railway extensions resolved upon owing to the danger of borrowing in Gold, and the impossibility of borrowing in Silver.

IX.—So far as I could gather in India, the general opinion of the commercial class is that the import trade of India suffers, and the export trade benefits, from the present low rate of exchange.

(1) As to the import trade, the price of British goods in rupees is much the same as it used to be at the old rate of exchange, say 2s per rupee, and so the merchant and consumer must buy in England at fully 25 per cent reduction in price to get the equivalent in India, where the rupee is only worth now 1s 5½d. Every fall in the exchange forces down, so to speak, the price of goods in Manchester; and so well-known is this that, whenever exchange drops, a fall in the home markets is considered to be the inevitable consequence. These constant falls of exchange have thrown great losses on the merchants trading with Silver-using countries, as in most of them the goods are sold on credit; in the South American markets, sometimes for six or twelve months. It has now become customary to contract with the banks for a forward rate of exchange, which minimises this danger. Another injury to the trade in British goods is from the stimulus this state of things gives to Indian manufactures; it operates as a kind of bounty.

It acts in this way. Wages and expenses in India measured in Silver are much the same as they were

several years ago; at least they do not rise as much as the rupee has fallen, while in England wages and expenses, measured in Gold, have not fallen as much as Gold has risen in value; in both countries there is much borrowed capital, in the one interest is payable in Silver and in the other in Gold; the former feels the burden lighter and lighter as Silver falls in value, the latter feels the burden heavier and heavier as Gold rises in value; hence it happens that there is much more elasticity and larger profits in India than in England, and, as might be expected, a much more rapid increase of manufacturing power, and this process is sure to go on with accelerating speed as the rupee falls further. If it drops in the next few years to 1s, Lancashire will pass through another crisis worse than any yet experienced, and much of its trade will be transferred to India. Further, the present state of things is causing the gradual transfer of the yarn trade of China to India; the exports of yarn from England have steadily declined since the fall of Silver commenced, while those from India have enormously increased, and in a short time apparently England will lose this large market entirely.

The same phenomenon applies to all trade between Silver-using countries; they have a great advantage over Gold-using countries in possessing a common standard, and England as the chief trader with Silver-using countries will feel this most.

(2) With regard to the export trade of India the opposite effect is felt. The low price of Silver operates as a sort of bounty on exports, especially on articles, like

wheat and seeds, drawn from a large area. The cost of producing these, measured in Silver, is much the same as in former years, and so even the present low Gold price in England affords a fair return to the Indian producer. Wheat in England at 30s per quarter returns the grower in India as many rupees as 40s per quarter would have done thirteen years ago, and it seems to them as good a price. With each fall of Silver Indian products will more and more compete with England and America, but whether it is a gain to this country to have wheat-growing gradually killed out by what is equivalent to a bounty on Indian wheat is open to grave doubt. It is somewhat analogous to the question whether England is benefited by the sugar bounties, which enable the consumer to get sugar a little cheaper at the cost of injuring our home refiners. I think the true answer is that trade serves the best purposes for all when least interfered with by illegitimate means.

Though it is true that the low rate of Indian exchange stimulates the export of Indian produce, it is also true that it greatly hinders the construction of Indian railways from the causes I have already named, and greatly obstructs the flow of British capital into India; and it is a question whether the Indian export trade does not suffer in the long run as much from this cause as it gains from the stimulant of low exchange.

I have not touched upon the financial aspect of this question to the Indian Government, as it is not comprised in the question; but the financial statement just to hand from India shows what alarm is caused to the authorities

in India by the present state of affairs; and I can testify from personal intercourse with the ablest financial minds there, that something approaching to bankruptcy is expected unless an effort be made to arrest this continuous fall in the rate of exchange.

I have, &c.

SAMUEL SMITH, M.P.

To the Right Hon.
The EARL OF IDDESLEIGH,
&c. &c. &c.

THE SUFFERINGS CAUSED

BY THE

APPRECIATION OF THE GOLD STANDARD.

There are many points of view from which the bi-metallic question may be treated. When the mind is first turned to its importance the question of a fixed ratio of exchange between Gold-using and Silver-using countries arrests attention most forcibly. The suffering and inconvenience caused by the absence of this par make the strongest impression. The injury to trade and the hindrances to the transfer of capital from Gold-using to Silver-using countries lie, so to speak, on the very surface of this question, and nowhere are they better understood than in Manchester, the heart of the cotton industry of England, whose trade is mainly with Silver-using countries. It was this aspect of the case which impressed me most strongly when I took up this subject ten years ago; but latterly I have come to the conclusion that there is another element of the case equally if not more important. I refer to the change of the value of the Gold standard itself, as affecting long-dated engagements and deferred payments. This second branch of the subject is not so

obvious as the first; it deals with effects which are spread over long periods of time, and do not show themselves in the same self-evident manner as do violent fluctuations in the rate of exchange. They are obscured, moreover, by a mass of subordinate details which lie on the surface and catch the eye most vividly, and it requires a certain amount of abstract and concentrated thought to grasp the deeper issues involved. I propose now to deal with this second branch, and trust that I may be able to throw a little light upon what is one of the most intricate branches of economical science.

Commercial communities are constantly occupied with prices. The main business of a merchant is to watch all that affects prices. His success depends upon correctly grasping the course of the markets. The causes of fluctuation in prices are numberless; but the chief elements are the relation of supply to demand, and the state of credit and of the money market. When longer periods are under review attention has to be given to scientific discoveries and economising processes, and so absorbed is the ordinary commercial mind with these causes that it is difficult to get it to consider the influence on prices of changes in the value of the standard itself. For all practical purposes this last element may be dismissed from the ordinary operations of the market; it works too slowly and imperceptibly to affect transactions which are closed in weeks or months. Yet no one who has studied the history of prices can doubt that the greatest changes have been caused by alterations in the value of the standard itself. No one will argue that when a bullock

fetched 40s in the fifteenth century, or wheat 12s per quarter, it was simply the result of over supply. All economists are perfectly well aware that it resulted from the excessive dearness of the precious metals; and this dearness was the consequence of an exceedingly small yield from the mines for several centuries—indeed all through the Middle Ages. Again, when prices rose about fourfold in the sixteenth and seventeenth centuries, it is perfectly well known that it resulted from the discovery of the mines of Mexico and Peru, which immensely increased the stock of the precious metals, and greatly lowered their purchasing power. In those days, it may be added, no great public inconvenience resulted from changes in the standard of value, for there were no national debts, no public stocks, or bonds, of any importance. Each generation discharged its own debts, and did not create obligations for future generations. The custom of borrowing on a large scale began in last century, and has been prodigiously developed in this one. The various national debts now exceed 5,000 millions sterling. The railway bonds, corporation debts, permanent, or long dated, engagements of all kinds are simply incalculable. All civilised communities are covered with them, as some of our streets are with a network of telegraph wires; and it has become of the highest importance that the standard in which these debts were calculated, and on which interest has to be paid, should be as stable as possible. Now there is no way of judging of the stability of a standard except by comparing it with the average prices of commodities, the wages of labour,

the price of real estate, and so forth. It is quite true that countless influences affect each particular article; a plausible reason may always be assigned for its rise or fall without reference to any change in the standard itself. No doubt in the Middle Ages, when prices were slowly falling, all the ordinary fluctuations could be accounted for by local and temporary causes; so when prices were rising in the sixteenth and seventeenth centuries. Yet every modern statist knows quite well that the groundswell of prices over these long periods was the change in the value of the standard itself. It is no otherwise now. No century has witnessed such great changes in the value of the standard as the nineteenth, and none has suffered such great inconvenience. I would compare this alteration of the standard of value to the influence of ocean currents as contrasted with that of the winds and tides, which represent the temporary and occasional movements of prices; or to those secular movements of geology which have at one time given a glacial and at another time a tropical climate to this island, whereas the annual changes of season represent the normal movements of price.

This brings me to the point that I wish to emphasise, viz. that we have had three well-marked movements of price within this century, all three in large measure due to changes in the standard of value. The century was ushered in by very high prices, partly caused by an inconvertible currency, depreciated for some years 20 to 30 per cent; partly caused by great scarcity and high

prices for food; then there was an extraordinary and long continued decline, extending say from 1810 to 1848 or 1849. This was brought about, partly, by the resumption of specie payments on the basis of the single Gold standard, decided upon in 1816 and finally carried into effect in 1821; but probably in quite as great a degree by the action of other countries in resuming specie payments after the long Napoleonic wars came to an end. Concurrently with this the production of the precious metals was very small—that of Silver being virtually suspended for several years owing to the civil wars in South America. At that time Gold and Silver were linked together by the bi-metallic system of France, so that the two metals rose and fell in purchasing power as one mass. The extraordinary appreciation of the standard is shown by the fact that in 1845-50 £100 would purchase as many commodities as £224 did in 1809—that is to say, the purchasing power of the pound sterling had more than doubled; and prices on the average had fallen 55 per cent. I take these figures from Professor Foxwell, one of the ablest of our younger economists, and he adopts the index number of the *Economist* as his basis of calculation. Now it is beyond dispute that this was the dreariest time in the history of England. Never was suffering so widespread, or so long continued. Large sections of the working classes were half starved, and at times the country was on the verge of a social revolution. There cannot be a doubt that this distress was greatly aggravated by the prodigious fall of prices, or, what is the same thing, by the great appre-

ciation of the Gold standard; the huge national debt of 900 millions, contracted mainly in inconvertible currency, and representing, according to Mr. Gladstone, from one-third to one-fourth of the whole capital of the nation, was virtually doubled; its annual interest of 28 millions went twice as far in the purchase of all the requirements of life as it did during most of the period when it was being contracted. An unintentional but most real fraud was perpetrated on the nation in favour of the fund-holders—a very limited class in those days. The same aggravation of incidence applied to all other permanent, or long-standing, debts. The general effect was that the idle class, living on interest or annuities, was immensely and unjustly favoured at the expense of all the rest of the nation. It has often been matter of surprise to me that historians and economists who described that gloomy time attached so little weight to this all-important subject. I venture to say that had the Gold discoveries of Australia and California been antedated by forty years the history of that period would have been wholly different—the vast prosperity which followed them would, in part at least, have been witnessed long before.

Now we come to the second period of English commercial history during this century—I refer to the time of large Gold supplies from 1850 to 1873,—which was by far the most prosperous epoch of English trade. Our exports sprang up by leaps and bounds, mounting from 63 millions in 1849 to 255 millions in 1873. Prices kept steadily rising; labour was well employed, often very scarce in the manufacturing districts; wages rose on the

average fully 50 per cent—indeed, when regularity of employment is taken into account, I question whether the money earnings did not increase 75 per cent. The natural effect of this rise of prices was the lightening of all permanent burdens. The National Debt became much lighter, as did all mortgages, permanent rents, and other money obligations. The only losers were the limited number of rich and idle people who produced nothing, but had a fixed income from Consols and other interest-bearing securities. The gainers were all the rest of the nation, the industrious middle and working classes, probably 95 per cent of the whole. Can anyone contemplate this result without satisfaction? Was it not really good for the nation as a whole? The average rise of prices, taken from Mr. Foxwell's figures, I find to be as follows:—The commodities which could have been bought for £100 in 1845-50 fetched £142 in 1873, showing a rise of 42 per cent. Who can account for this rise except on the supposition that the enormous production of Gold in those twenty-three years reduced the purchasing power of money? I say money, not Gold, for the two metals were still joined together by the French ratio, and the purchasing power of Silver fell exactly as that of Gold. As I have observed elsewhere, an underground pipe connected the Gold reservoir and the Silver reservoir, and kept their waters at the same level, and the effect on prices was quite the same whether the Gold mines, or the Silver mines, yielded most freely. There exist no tests by which we can tell exactly how much of this rise was due to the depreciation of the standard, and how much was

due to other causes. Some of the best economists, like Jevons, put the then depreciation of Gold at 15 per cent. I am inclined to think that it was considerably more. One may ask the question, Why did prices rise at all during this period except from the cheapening of money? We had during that period as much activity and competition in trade and manufactures as has ever been witnessed since. Steam, telegraphs, and railways were increasing *pro rata* as much then as they have done since. Scientific inventions and economising processes were never more numerous; all these influences, which our opponents offer in explanation of the great fall in prices since 1873, were equally in force before that date. If they have caused, as we are told, the large fall of 40 per cent in prices since 1873, why did they not at least stop the rise between 1850 and 1873? It seems as conclusive to me as a mathematical proof that the great rise between 1850 and 1873, and the still greater fall since, have mainly arisen from changes in the standard of value itself. I repeat that most of the causes assigned for the great fall of prices since 1873 might have been equally applied to the previous period. Production certainly increased as fast in the one period as the other, transport was always becoming easier and cheaper, new fields of supply were continually being opened up, inventions in machinery and economising contrivances were as frequent then as afterwards, commissions were steadily being reduced under competition, and the general tendency of trade, we should have said, should have been to lower, and not to raise prices. Had there been no Gold disco-

veries, and had the yield of the precious metals continued the same as in the first half of the century, does anyone believe that this great rise would have occurred? All know the contrary, yet when we press home the converse, and argue that the great fall since 1873 is mainly the result of the appreciation of the Gold standard, how many are still incredulous?

Let us now consider the third epoch of English commercial history in the nineteenth century, that commencing in 1873 and lasting till now. Do we not find the reverse process to that of the previous twenty-three years, with a strong resemblance to the gloomy period of 1810 to 1848? I do not, of course, claim that the suffering has been at all as severe as in the first period, but it has been very great to all the industrial classes, as abundantly testified to by the witnesses before the Royal Commission on the Depression of Trade and Industry. Everyone in this district knows that for several years prior to 1886 the cotton industry yielded almost no profit. Some improvement is now, happily, showing itself, but for ten years at least capital has had far less than its ordinary share of profit. The same description applies to the iron, coal, and other great industries up till the recent improvement set in. It is difficult to say what trade has not been depressed, and agriculture the worst of all. Nor have the operatives gained what the employers have lost. All the great trade unions echo the lamentable story of depression. It is true that in some of them wages have been fairly maintained, but the loss from slack time has been very great; and in some large

trades, such as mining, wages have fallen enormously, while work has also been most irregular. I have never in my experience seen such misery among the artizan class in Liverpool as I have seen during the past few years.

I wish to invite attention to what I believe to be the key to this melancholy state of things. Taking the index number of 100 to represent the low prices of 1845-50, I mentioned that the rise was to 142 in 1873; from this it fell with little interruption till it reached 92 in 1885; and when the average of last year is struck I doubt if it will be over 90, or the lowest point touched for one hundred years, with the single exception of 1849, when for a short time that figure was also reached. To bring out this truth more forcibly, let me remind you that our exports of British goods reached high-water mark in 1873, viz. 255 millions, from which they have declined, with occasional recoveries, till last year, when they only reached 212 millions. But the quantities increased so enormously that, adopting Mr. Giffen's table of computation, the total for last year would be over 350 millions, and possibly reach 360 millions sterling if valued at the rates ruling in 1873; in other words, the fall of prices may be put at 40 per cent. This prodigious fall has reproduced all the phenomena, though in a milder form, which characterised the first half of this century. All burdens fixed in money have grown much heavier. The idle and non-productive class have gained immensely at the expense of the industrious class. The fundholder, the

mortgagee, and the money lender have drawn within their clutches a large part of the property of the active industrial class; and there has been a sense of almost hopeless oppression weighing on the community for many years, which, happily, is being somewhat lightened at the present time.

Now, I wish to call special attention to this fact, that never in human history has there arisen such a pile of debts and obligations of all kinds as in the present century, with interest payable, either perpetually or for long periods of time, in a Gold standard. I have instituted some inquiries into this subject, but feel that a far better actuary than myself is needed to give anything like an accurate account of these debts. I can point out, however, a few of the main items, which are formidable enough.

We have first a national debt of £750,000,000, with interest and sinking fund amounting to £28,000,000 per annum. The railway bonds and preference shares amount to £500,000,000, with interest averaging say 4 per cent, or £20,000,000 a year. Local and municipal debts are estimated at about £160,000,000, say, at 4 per cent, £6,400,000 per annum.

Then we have the vast amount of mortgages on land; they can only be guessed at, as we have no public registry of such debts; but I believe £500,000,000 is a moderate estimate of the mortgages on the soil of Great Britain and Ireland. Let us take interest at 4 per cent, and that will be £20,000,000.

Then we have the corresponding mortgages on house property, on factories, on ships, and on industrial plant of all kinds. No estimate is any more than guesswork, but I shall be surprised if the amount does not exceed 500 millions; this, with interest at 4 per cent, represents £20,000,000 per annum.

We have further to take into account the long leases with fixed rates of payment. In such a country as ours the value of these is prodigious. Many of the largest incomes are drawn from ground rents. It is well known that large sections of the Metropolis are built over on leases of 75 to 99 years' duration. The same applies more or less to all our great cities or centres of industry. This may be regarded as a tribute levied on the industry of the country by the land-holding class. I am not aware that any accurate estimate exists of the amount, but I would venture to put it at thirty millions annually.

We have next to consider the royalties on mines, which have been felt as a heavy tax of late years owing to the very low price of minerals. These I have seen estimated at about eight millions a year, but I do not give this as a reliable figure; indeed, all the figures I have given above are mainly suggestions for future inquiry, which would need to be conducted by a society of actuaries or professional statists. I do not think we possess any materials at present except for rough approximations.

In addition to all these, there is a very large amount of fixed annuities, pensions, life interests, &c. chargeable on most estates or payable by the Government. It is well known that many of these estates have of late years

hardly afforded any surplus to the nominal owners, after paying interest on mortgages, annuities, and other fixed charges. I shall roughly assess the total of annuities, pensions, and other fixed charges, not included in the other items I have dealt with, at £18,000,000 a year, and this will make the total fixed charges, payable out of the industry of the country, about £150,000,000 a year.

If we capitalise this all round at twenty-seven years' purchase we find it represents a capital value of about £4,000,000,000, or fully two-fifths of the whole property of the country, which, according to the best statists, is now estimated at something over 9,000 millions sterling.

Anyone, who reflects for a moment, will see that this huge load grows heavier or lighter according to the scale by which the wealth of the country is valued. If the pound sterling represents a constantly diminishing value, as it did from 1850 to 1873, this prodigious charge becomes lighter and lighter; but if it represents an increasing weight, as it has done since the free coinage of Silver was suspended in 1873, then it presses more and more heavily on the productive resources of the country. Let me illustrate it in this way. Suppose no decline in prices had taken place since 1873, the capital value of the wealth of the country would have been much higher than it is now; but the burdens would continue the same, and a much larger share of the national property would remain with the industrial classes. My own impression is that the present valuation of national wealth is quite too high, because our statists have not allowed sufficiently for the enormous fall in the selling

value of land, and of the industrial plant of the country generally. I believe much of the assumed increase of the value of the national wealth is illusory, as there is not sufficient written off for depreciation. Everyone actively engaged in business knows that new creations of capital oftentimes displace and destroy equal amounts of *old* capital, for the finer machinery and more perfect appliances really render the older and ruder forms valueless; yet our statists, who are seldom practical men, dazzle us with incredible calculations of the additions to the national wealth. These additions represent the new capital created, but do not allow for the old capital destroyed; and so those valuations are too much like those of certain joint-stock mills, which stand in the books at a nominal price—about double the selling value of the plant.

The practical conclusion I draw is that large deductions ought to be made from those calculations of national wealth, and, if the pruning hook were rigorously applied to all exaggerations, and the actual selling value of the nation's property be taken to-day, I doubt if it would be more than 8,000 millions, instead of above 9,000, as Mr. Giffen and others put it. In that case the pile of debts and permanent obligations would represent about one-half the national property. But, as I said before, had the scale of prices ruling in 1873 continued till to-day, the value of the national wealth would probably be 25 per cent higher, the total would be 10,000 millions, in place of 8,000 millions; and the weight of debt, in place of

being 50 per cent of the total, would be only 40 per cent of the total. To put it in another way, the great fall of prices has transferred 10 per cent of the wealth of the country to the money-lending and annuitant class; it has increased the claim which the idle and non-productive part of the community has upon the property of the remainder by the difference between 40 and 50 per cent of the national wealth; it has to that large extent unjustly defrauded the toiling and hard-working masses of the nation, and has greatly added to the stream of social discontent, and so far weakened the institutions of the country, and the guarantees for law and order. I again repeat that the figures which I have given are to be regarded rather as a scale of computation than as reliable data; if this paper leads to a rigorous statistical examination of the whole question, so that accurate data be supplied to the public, I shall be more than satisfied. We must not suppose that these changes in the incidence of debt are confined to England; exactly the same phenomena are showing themselves in most civilised countries.

One of the recent numbers of the *Moniteur des Intérêts Matériels* contains a long and interesting review of the European harvest. In the course of its observations on the severe strain which American and Indian competition has put upon European cereal growers, some remarkable figures are given of the indebtedness of cultivators. The mortgages upon agricultural properties, upon the cultivators and peasant owners in most parts of the old Continent are excessive, and materially increase the difficulties which low prices have brought upon them.

Thus, for instance, the *dette hypothécaire* of Prussia was on an average only 65 per cent of the value of the land in 1860, and it is now between 80 and 90 per cent. In certain parts of the province of Brandenburg it exceeds by 50 per cent the present value of the land. In Austria the mortgages aggregated £112,000,000 in 1858, and they are now more than £500,000,000. Those of France were already in 1876 at the fabulous figure of 21 milliards 111 millions of francs, or say, in round figures £840,000,000. Half the real estate of France, and two-thirds of that of Belgium are only nominally in the possession of the ostensible proprietors.

The feature of the day seems to me the steady growth of debts of all kinds, and the division of most modern communities into debtors and creditors, with widely opposed interests. It is of course always the interest of creditors to make the debt as large as possible; and as they represent the financial, banking, and capitalist class, who have the ear of all modern Governments, it is most difficult to get due consideration for the rights of the great majority. Yet unless this can be done modern civilisation may some day be overthrown by a Socialistic upheaving from beneath.

So far I have dealt with this question on the broadest grounds, as affecting the whole community; but there are some particular classes of questions which are rendered far more insoluble in consequence of the change in the standard of value.

The most pressing of them is that of Irish rents.

These were fixed judicially, for fifteen years, at rates which were fair for both tenant and landlord, had prices remained as they were two or three years ago; but a further fall of 20 per cent has taken place since then, quite upsetting the basis of rent; and, as is well known to most of you, the agrarian settlement has, on that account, proved a failure. Parliament is placed in this painful dilemma—either it must enforce impossible rents by wholesale evictions, and excessive social misery; or it must practically set aside a settlement solemnly arrived at only five years ago. This is but one of the innumerable dislocations caused by the disappearance of the old customary basis of price. All class differences are painfully accentuated, political animosity is increased, and the Legislature is called upon to dissolve contracts in a way that is most arbitrary, and which is very destructive of mutual confidence hereafter. In the face of all this misery I am astonished to see the glib and careless way in which many writers speak of the fall of prices as being a source of unmixed good to the community. Let us suppose, however, that Parliament undoes the Irish Land Act, unsettles that settlement, and decrees a new and lower scale of rents; it will certainly confiscate the interests of the landlord on behalf of the mortgagee. Few Irish estates will yield any surplus if another heavy reduction of rents takes place; many would not meet the fixed charges; and so the great injustice would be done of handing over the property of the country to the money lender, who under all circumstances is enabled by our law to claim his pound of flesh. Ireland is a crucial

case; but to a large extent the same holds good of much of the soil of Great Britain. You have the inability of the landowner to reduce rents adequately, because his fixed incumbrances represent so much of his income. These fixed incumbrances were based upon an old scale of prices, which has passed away; but they continue unchanged, hanging like a millstone round the neck of the unfortunate proprietors.

The agitation for the reduction, or the abolition, of tithe is largely due to the same cause. The farmer feels the pinch of constantly falling prices; and, to save himself from ruin, struggles to get rid of burdens which crush him down. Other strong objections are brought against tithes, especially in the case of the Nonconformists of Wales; but there is no doubt that the movement derives much of its force from the extremely low price of agricultural produce.

I turn now to another illustration of the confusion introduced into all social relations by the change in the standard of value. I allude to the urgent need of reducing railway rates. It is admitted on all hands that our railway charges are much too high, and that they seriously cramp the commerce of the country. A very considerable reduction is called for, yet note what would happen if an Act of Parliament compelled railway rates to be reduced say 20 per cent. Railway property is held by two classes—the ordinary shareholders, whose dividends depend upon profit, and the preference shareholders, or bondholders, who receive a fixed rate of interest. The latter class represent much the largest amount of capital,

but the law cannot touch their income; the whole loss must fall upon the smaller class, viz. the ordinary shareholders, and a reduction which would be moderate and reasonable, if spread over the whole 800 millions of railway capital, would be virtual confiscation if restricted to the shareholding capital of 300 millions. I believe this difficulty will be found to be almost insuperable in the rearrangement of railway rates, and the commerce of this country will continue to be burdened with a scale of charges, which are quite too high for the low scale of prices which now rule.

One concluding illustration may be given of the wrong done by a change in the standard of value. I allude to the case of the Egyptian bondholders. The debt of Egypt was contracted during a period of great prosperity and high prices; since then the price of Egyptian produce has fallen prodigiously. Wheat, cotton, beans, and other products of the Nile Valley are worth little more than one-half of what they were worth in 1863-75, when most of the debt was contracted, and the payment of interest, for the past ten years, has been an insupportable burden on that oppressed country; yet the bondholders, by a European engagement styled the law of liquidation, have been enabled to squeeze out of the unhappy peasantry some four millions sterling a year, though to raise that tribute they required to sell nearly double the produce they needed to do ten or fifteen years ago. The interest of the debt, measured by the price of everything grown in Egypt, has really grown in weight by 50 per cent.

In the same way the Indian Gold Debt of fifteen millions a year, payable in England, involves the sale of fully a third more Indian produce than was needful ten or fifteen years ago in order to liquidate it. The weight of the debt has been virtually increased to that extent; and the financial arrangements between England and India have become strained and difficult in the highest degree.

But I may be told that England is the chief gainer by the appreciation of the Gold standard, because she is the great creditor nation, whose income from abroad is chiefly payable in Gold. The time was when this argument was always trotted out by our opponents, and was thought to be a valid answer to every objection. Let us see what force there is in it. No doubt a vast amount of British capital is invested abroad; this part of the national wealth is increasing much faster than the portion invested at home. The profits on foreign investments are much larger, and there is not that excessive competition which there is among all home industries. It is several years since the income from foreign investments was put at 60 millions a year. I should not be surprised if it were now nearly 100 millions annually; but the extraordinary mistake is made by some in supposing that all this consists of securities whose interest is payable in Gold. A very large part of British investments abroad are in Silver-using countries; those in India alone have been estimated at 300 millions sterling, and probably the greater part of all our foreign investments are not in interest-bearing securities at all, but consist of real estate

and industrial plant of all kinds, such as tea, coffee, and indigo plantations, sheep runs, cattle ranches, Gold and Silver mines, manufactories, railways, steam companies, banks, &c. indeed, a great part of the commerce of the poorer countries of the world is carried on by British capital, and the profits upon the capital are remitted to the owners in the form of produce, and this accounts mainly for the immense surplus of imports over exports, which is the principal feature of British trade. It matters nothing to the owners of the capital what the currencies of those countries may be—they may be either Gold or Silver, or inconvertible paper ; but the profits on their capital are reaped all the same, and are remitted to England or reinvested, as suits them best. Of course I do not deny that a large amount of interest is payable on Gold securities. I think I have seen the total interest-bearing foreign securities put at 33 millions annually; a considerable proportion of which are payable in Silver ; but even granting that the bulk of this is payable in Gold, it must be remembered that it comes into the hands of a very small class of the community. Probably not 1 per cent of the nation is possessed of foreign securities ; and who will consider the extra gain drawn by this small class as any compensation for the suffering caused to the great mass of the nation at home? The more this subject is looked at the more it is seen that the appreciation of the standard of value in any country benefits a far smaller number of people than it injures ; it makes a small class of rich people still richer, and robs the hard-working, toiling, industrious class, for the benefit of those "who toil not. neither do they spin."

even if the old bi-metallic system had continued; it is a notable fact that even Silver-using countries like India have seen a fall in prices since 1873, but the fall has only been some 10 to 15 per cent, against 40 per cent in Gold-using countries. I consider that it is immaterial whether we speak of the appreciation of Gold, or the depreciation of Silver; what we mean is that the value of the one metal has risen relatively to the other. Had the old bi-metallic system of the Continent not been altered, the fall of prices in Gold-using countries like England would have been lessened, and that in Silver-using countries like India would have been increased; in fact, an equal fall would have taken place in all countries alike. Allowing that there are about equal values of the two metals in the world, in place of Gold values falling 40 per cent, and Silver values 10 per cent, there would have been an average fall of 25 per cent all round; that is to say, we should have saved the last 15 per cent of fall, which has cut into the quick, and carried multitudes over the line which separates solvency from insolvency.

How stands the matter with regard to the future? Will things rectify themselves, as the orthodox economists of this country are in the habit of saying? It is quite true that a revival of trade has set in, which may for a season give relief and withdraw attention from the malady. No one would be so foolish as to say that there never could be periods of good trade, even under the pressure of a contracted currency. The wonderful

elasticity of the industrial machine will assert itself even against crushing burdens. Almost unbroken depression has reigned for ten or twelve years, and a temporary improvement is due, whatever mistakes may be made in monetary legislation; but I believe the improvement will not be long continued if we persist in our present suicidal policy. The Silver question remains suspended over us, and the recent rise that has occurred can be ascribed to no permanent cause; probably it is due to a vague expectation that legislation in favour of remonetising Silver will spring from the Royal Commission now sitting in London. Whether this be so or not, it is clear to me that if the Commission fails to do anything, and matters are allowed to slide, we shall soon be confronted with a great Silver crisis. It is clear that the United States will not continue their present illogical position with regard to coining Silver; they must either go back or forward, they must either cease to coin or open their Mints to coin Silver as freely as they coin Gold. They will gladly agree to the latter alternative, if France and England join them, but they will certainly not do so alone; therefore they must adopt the other alternative of closing their Mints against Silver. When this happens a further cataclysm in Silver will occur. India will remain the only great market open to Silver, and we shall be pressed by its Government to close its Mints also, in order to keep the exchange from falling to a perfectly ruinous point. Unless we do so the Indian Government will become bankrupt; and if we do so Silver will almost cease to have a value in the open

market. All the misery caused by the first drop of Silver, of say 25 per cent, will be repeated by a second drop equally great; and, again, we shall see a heavy fall of Gold prices, and a further vast increase of all those permanent burdens which have been alluded to. I do not see how there is any logical escape from this conclusion; it follows even from the premises of our chief opponent, Mr. Giffen. He admits the great appreciation of Gold; he holds that that appreciation must go on, and exhorts us to bear it meekly. It may be, however, that the suffering peoples may not bear it meekly, and that the constant increase of pressure may at last burst the boiler.

Now we of the bi-metallic school urge that we possess a safety valve sufficient to relieve this terrible strain. We have an ample and an increasing supply of Silver, just fitted to relieve the pressure on Gold. The nations of the world, by a mixture of perversity and ignorance, have deprived themselves of this powerful ally; all now admit the unfortunate consequences of this mistake; all alike wish that the past could be undone; but the question is, "Who is to bell the cat;" who is to take the lead in reconstructing the monetary system of Europe and America? We know well that two of the greatest monetary Powers, France and the United States, are only waiting for an opportunity to rehabilitate Silver, but they are absolutely determined not to act without us; and upon England depends whether this miserable state of things be put an end to, or prolonged indefinitely.

My object is to urge Manchester to bring its great and well-deserved authority to the true solution of this

question. The time was when Manchester spoke with a voice to which all England listened. Cannot it now resume that position in regard to this vital question, and lead England, and with England the civilised world, to a solution of the most entangled and harassing difficulty which has blocked the path of progress in this century?

APPENDIX.

Table showing Ratio between Silver and Gold, also Supply of Silver and Gold, Proportion of Gold to Silver, and Total Supplies of both Metals.

Date.	Ratio.	Supply. Gold. Millions. £	Supply. Silver. Millions. £	Proportion of Gold to Silver 1 to	Total of Gold and Silver.
1801—1810	15·61	2·6	7·7	2·97	10·3
1811—1820	15·51	1·6	3·6	2·25	5·2
1821—1830	15·80				
1831—1840	15·67	—	—	—	—
1841—1850	15·83	—	—	—	—
1849	15·80	5·4	7·8	1·44	13·2
1850	15·83	8·9	7·8	0.88	16·7
1851	15·46	13·5	8·0	0·59	21,5
1852	15.57	36·6	8·1	0·22	44.7
1853	15·33	31·1	8·1	0·26	39·2
1854	15·33	25·5	8·1	0·32	33·6
1855	15·36	27·0	8·1	0·30	35·1
1856	15·33	29·5	8·2	0·28	37·7
1857	15·27	26·7	8·1	0·30	34·8
1858	15·36	24·9	8·1	0·32	33·0
1859	15·21	25·0	8·2	0·33	33·2
1860	15·30	23·9	8·2	0·34	32·1
1861	15·47	22·8	8·5	0·37	31·3
1862	15·36	21·6	9·0	0·42	30·6
1863	15·38	21·4	9·8	0·46	31·2
1864	15·40	22·6	10·3	0·45	32·9
1865	15·33	24·0	10·4	0·43	34·4
1866	15·44	24·2	10·1	0·42	34·3
1867	15·57	22·8	10·8	0·48	33·6
1868	15·60	22·0	10·0	0·45	32·0
1869	15·60	21·2	9·5	0.45	30·7
1870	15·60	21·4	10·3	0·48	31·7
1871	15·59	21·4	12·2	0·57	33·6
1872	15·63	19·9	13·1	0·66	33·0
1873	15·90	19·2	17·9	0·93	37·1
1874	16·15	18·2	14·3	0·79	32·5
1875	16·76	19·5	16·1	0·82	35·6
1876 { Highest 20·17 Lowest 16·62 }	17·68	19·0	14·8	0·78	33·8
1877 { Highest 17·58 Lowest 16·84 }	17·22	19·4	16·2	0·84	35·6
1878 { Highest 19·01 Lowest 17·14 }	17·92	17·3	14·7	0·85	32·0
1879	18·24	20·8	18·6	0·89	39·4
1880	17·89	21·0	18·2	0·87	39·2
1881	18.07	19·9	18·8	0·94	38·7
1882	18·04	19·3	20·5	1·06	39·8
1883	18·46	18·3	21·4	1·17	39·7
1884	18·51	17·9	21·4	1·20	39·3

ROBERT BARCLAY.